

RECORDATION NO. 10463-B Filed 1425

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INTERSTATE COMMERCE COMMISSION

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT, dated *as of* May 31, 1979, between BENEFICIAL LEASING GROUP, INC. (the "Debtor"), a Delaware corporation with its principal place of business at 250 Park Avenue, New York, New York 10017, and the TREASURER OF THE STATE OF NORTH CAROLINA (the "Lender"), with its principal offices at 325 North Salisbury Street, Raleigh, North Carolina 27611.

WHEREAS, the Debtor is acquiring certain railroad equipment, namely, the hopper cars described in Exhibit A to the Lease referred to below (the "Equipment") from a supplier of such cars at purchase prices that shall be financed by equity moneys furnished directly by the Debtor and loans made by the Lender to the Debtor hereunder; and

WHEREAS, the loans shall be evidenced by the Notes referred to below, which shall be issued by the Debtor to the Lender; and

WHEREAS, the Debtor shall, after purchasing the Equipment, lease such cars to American Cyanamid Company, a Maine corporation with its principal offices at Wayne, New Jersey 07470, as Lessee, pursuant to an equipment lease between Debtor and Lessee (hereinafter, as supplemented or amended from time to time, the "Lease"). The Equipment, the Lease, rentals and other payments and rights under the Lease shall serve as security for such loans and shall be assigned to the Lender.

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, the parties hereto agree as follows:

SECTION 1. COMMITMENTS OF THE LENDER AND DEBTOR

1.1 Commitment of the Debtor. Advance in Respect of Purchase Price of Equipment. Subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, on each delivery and closing date referred to in Section 1.3 the Debtor will advance to the supplier of the railroad cars an amount which shall equal 35% of the purchase price (as set forth on Exhibit A of the Lease) of each item of Equipment for which settlement is to be made on such delivery and closing date.

1.2 Issue and Sale of Notes.

(a) The Notes. In order to finance a portion equal to 65% of the purchase price of the Equipment, the Debtor will authorize the issuance and sale of its 9 3/4% Secured Notes (the "Notes"). The Notes shall: (i) be limited in aggregate principal amount (exclusive of any New Note issued pursuant to Section 12.4 (a), (b) or (e) to \$5,200,000.00, (ii) be originally issued only pursuant to Section 1.2(b), (iii) each be dated the date of its issuance, (iv) each bear interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal amount thereof from the date thereof to maturity, whether by acceleration or otherwise, at the rate of 9 3/4% per annum, and on any overdue principal and (to the extent permitted by law) on any overdue interest, at the rate of 10 3/4% per annum, (v) each mature, unless sooner paid in full pursuant to the provisions thereof and hereof, on the fifteenth anniversary of the commencement of the first Periodic Rental period under the Lease for the particular item or items of Equipment delivered on the delivery and closing date on which such Note was issued, (vi) each be due and payable as to interest accrued thereon from the date thereof to the date of commencement of the first Periodic Rental period under the Lease, for the particular item or items of Equipment delivered on the delivery and closing date on which such Note was issued, on such date of commencement, (vii) each be due and payable on the second Periodic Rental payment date under the Lease for the particular item or items of Equipment delivered on the delivery and closing date on which such Note was issued and on the first 29 consecutive semi-annual anniversaries of such second Periodic Rental payment date, in 30 equal semi-annual installments, including both principal and interest, each such installment to be in an amount equal to 6.41% of the original principal amount of such Note; provided, that upon any partial prepayment of the principal of such Note, the amount of the installments thereafter to be made on such Note shall be reduced as provided in Section 10.1(b) hereof, and (viii) be substantially in the form attached hereto as Exhibit A.

(b) Commitment of the Lender. Subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, the Debtor shall issue and sell to the Lender, and the Lender shall purchase from the Debtor, on each delivery and closing date hereinafter provided for, Notes of the Debtor at a price of 100% of the principal amount thereof and in an aggregate principal amount equal to 65% of the Purchase Price of the items of Equipment being settled for on such delivery and closing date. The Notes delivered to the Lender on each delivery and closing date will be typewritten and in the form of a single Note registered in the name of the Lender.

(c) Security for the Notes. The Notes will be issued under this Agreement and shall be secured by the security granted pursuant to and in accordance with Section 7 hereof (subject to the excepted rights in collateral set forth in Section 7.6 of this Agreement).

(d) Satisfaction of Conditions. The obligation of the Lender to purchase Notes on any delivery and closing date shall be subject to (i) the performance or observance by the Debtor of all of its agreements contained herein to be performed or observed at or prior to such delivery and closing date and (ii) the further conditions to the obligations of the Lender specified in Section 4 hereof. Nothing in this Section 1.2(d) shall operate to relieve the Debtor from any of its respective obligations hereunder or to waive the Lender's rights against the Debtor.

1.3 The Delivery and Closing Dates. The Equipment will be delivered, the advances by the Debtor hereunder will be made, and the Notes will be delivered to the Lender hereunder, on such dates, not later than June 30, 1979, as the Lessee shall designate to the Debtor and the Lender, by not less than five business days' prior written or telegraphic notice unless otherwise consented to by the Lender. Each such notice shall confirm the amount of the advance to be made by the Debtor and the principal amount of the Notes to be sold and delivered to the Lender on such delivery and closing date. The advance by the Debtor and payment for the Notes by the Lender shall be made by wire transfer or by other means to persons indicated by the Debtor not later than 11:00 A.M. local time on each delivery and closing date in Federal Reserve funds or other funds immediately available to the Debtor.

1.4 Assignment of Lease and Rentals. The Debtor shall enter into an Assignment of Lease and Rentals of even date herewith (the "Assignment"), thereby confirming the Assignment, pursuant to Section 7 hereof, of the Lease and certain of the rentals and other payments due under the Lease to the Lender. Such Assignment shall provide for the direct payment of all rentals and other payments by the Lessee to the Lender or its designee in order to satisfy each installment due under the Notes. Except for the interim rental payments, payments of such rentals and other payments shall be made when due and owing under the Lease to Lender's designee on a quarterly basis each year over the fifteen (15) year maturity of the Notes unless such Notes are prepaid in full. The Lessee will have consented to such assignment or any supplement thereto and will make the payments called for thereunder in accordance with the Lease and the Assignment. Upon reasonable request of the Lender, the Debtor shall enter into supplements to the Assignment assigning additional

payments of rent and other payments that may be due and owing under the Lease (but in no event including the Excepted Rights in collateral referred to in Section 7.6) to effectuate the security interest herein granted to the Lender,

1.5 Non-Recourse Nature of Notes. Any provision in this Agreement, the Notes, the Assignment or any other related instrument to the contrary notwithstanding, no recourse or relief shall be had, directly or indirectly against the Debtor or any incorporator, subscriber to the capital stock, stockholder, officer or director of the Debtor or any predecessor or successor of the Debtor, under any rule of law, statute or constitution, or by the enforcement of any assessment or penalty, or otherwise, for any obligation of the Debtor under, or for any claim based on or in respect of, this Agreement, any Note, the Assignment or any other related instrument, other than the obligations of the Debtor under Section 2.4. It is expressly understood that all such obligations (other than the aforesaid obligations under Section 2.4 are non-recourse obligations enforceable only against the collateral described in Section 7 hereof.

1.6 Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Allen Hart & Associates, Ltd., without waiving any rights it might otherwise have, will pay all expenses relating to the transactions contemplated by this Agreement, including without limitation:

(a) the disbursements and the reasonable fees of Messrs. Kantor, Davidoff, Winston & Ferber, special counsel for the Lender;

(b) the reasonable air-freight and mailing expenses of the Lender incurred in connection with the execution and delivery of this Agreement;

(c) the disbursements and reasonable fees of Wertheim & Company, Inc. for arranging for the purchase of the Notes by the Lender hereunder;

(d) the cost of delivering to the home office of the Lender, insured to the satisfaction of the Lender, the Note purchased by the Lender on each delivery and closing date;

(e) all taxes in connection with the initial issuance and sale of the Notes.

SECTION 2. WARRANTIES AND REPRESENTATIONS.

2.1 Warranties and Representations of the Debtor.
The Debtor warrants and represents to the Lender that:

(a) Debtor's Organization and Authority.
The Debtor is a corporation duly organized, existing and in good standing under the laws of its state of incorporation and has full power to own its properties and assets and to carry on its business as now being conducted.

(b) Power and Authorization. The Debtor has full power and authority to execute, deliver and perform this Agreement, the Lease, the Assignment and any related instruments contemplated hereby, and to create and issue the Notes, all of which have been duly authorized by all necessary and proper corporate action. No consent or approval of stockholders or of any public authority is required as a condition to the validity of this Agreement, the Notes, the Lease, the Assignment or any related instruments contemplated hereby. The making and performance by the Debtor of this Agreement, the Notes, the Lease, the Assignment and any related instruments contemplated hereby will not violate any provision of law and will not conflict with or result in a breach of any order, writ, injunction or decree, to which the Debtor or its property is subject, of any court or governmental instrumentality, domestic or foreign, or the Debtor's charter or by-laws, or create a default under any agreement, bond, note or indenture to which the Debtor is a party or by which it is bound or to which it or any of its property is subject, or result in the imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its properties or assets prior to the lien of the Lender, except for the liens created under this Agreement, the Notes, the Lease and the Assignment, and except for permitted encumbrances (as hereinafter provided in Section 7.4 hereof).

(c) Validity and Enforceability. This Agreement, the Lease, the Assignment and the Depository-Disbursement Agreement dated May , 1978 between the parties hereto and Midlantic National Bank have been duly executed and delivered, and constitute the valid and legally binding obligations of the Debtor, enforceable in accordance with their respective terms and the Notes, upon execution and issuance, will also constitute the valid and legally binding obligations of the Debtor, enforceable in accordance with their terms.

(d) Pending Litigation. There are no proceedings pending, or to the knowledge of the Debtor threatened, and, to the knowledge of the Debtor, there is no existing basis for any such proceedings against or affecting the Debtor in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would materially and adversely affect the right, power and authority of the Debtor to enter into or perform this Agreement, the Notes, the Lease, the Assignment and any other related instruments contemplated hereby.

(e) Title to the Equipment. To the knowledge of the Debtor, the Equipment is free and clear of any liens or encumbrances which result from claims against the Debtor not related to the transaction contemplated hereby. The Debtor has not conveyed title to the Equipment to any person or subjected the Equipment to any lien or encumbrance other than permitted encumbrances hereinafter specified and this Agreement.

(f) No Defaults. To the knowledge of the Debtor, no event of Default or event which with the passing of time or the giving of notice, or both, would constitute an Event of Default under this Agreement or the Lease has occurred and is continuing. The Debtor is not in violation in any material respect of any term or condition of this Agreement.

(g) Rights Under Lease. As of the date hereof, the rights of the Debtor, as Lessor, to the rents and other rights under the Lease have not been pledged, sold, assigned or transferred to any person other than the Lender as contemplated by this Agreement, the Assignment and any other related instruments and, to the knowledge of Debtor are good and valid claims enforceable in accordance with their terms, free from any disputes, defenses, rights of offset, claims or counter-claims on the part of the Lessee thereunder.

(h) Use of Proceeds. The Debtor will apply the entire proceeds from the sale of the Notes and the entire amount of the said advance made by it pursuant to Section 1.1 hereof to the payment to the supplier for the purchase price of the Equipment.

(i) Private Offering. Neither the Debtor nor any person authorized or employed by it as agent or otherwise in connection with the placement of the Notes or

The attention of the Lender has been directed to Rule 144 under said Securities Act and Release No. 5223 issued in connection therewith. The Debtor makes no representation that Rule 144 may be relied upon at any time in the future in connection with any proposed sale of any Note.

2.3 Reaffirmation on Each Delivery and Closing Date. The advance by the Debtor on each delivery and closing date shall constitute a reaffirmation of its representations contained in this Section 2 as of each delivery and closing date. The purchase of the Notes by the Lender on each delivery and closing date shall constitute a reaffirmation of its representations contained in this Section 2 as of each delivery and closing date.

2.4 Personal Obligations. The Debtor shall be personally liable for its representations and warranties contained in Section 2.1(a) and (b) except for the requirement of any consent or approval of any public authority), (c), (e) and (h) hereof, notwithstanding provisions herein to the contrary, but only if and to the extent that an Event of Default (as defined in Section 11 hereof) is occasioned thereby.

SECTION 3. COVENANTS OF THE DEBTOR.

So long as any of the Notes are outstanding, the Debtor shall comply with the following provisions:

3.1 Payment of Notes. The Debtor will make all payments of principal of and interest on the Notes promptly as the same shall become due thereunder or hereunder. In so doing, the Debtor will cause the rental payments due and payable under the Lease to be paid directly to the Lender or its designee at the Lender's directions as provided for in the Assignment or other instruments.

3.2 Fulfill Other Obligations. The Debtor will fulfill all its other obligations under this Agreement, the Notes and the Lease as they arise or become due.

3.3 Corporate Existence. The Debtor will keep its corporate existence, rights and franchises in full force and effect.

any similar security of the Debtor has offered for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with any prospective purchaser; provided that it is understood and agreed that the Debtor has not authorized or employed Wertheim & Company, Inc. or the Lessee as its agent.

2.2 Representations of the Lender.

(a) The Lender represents and warrants to the Debtor and the Lessee that:

(i) it has full right, power and authority to enter into and perform this Agreement and any other related instruments;

(ii) this Agreement does not, nor will the performance of the Lender's obligations hereunder, violate the provisions of any enabling act, constitution, statute, case law, regulatory ruling, charter instrument, trust agreement, by-law, indenture, mortgage, loan or credit agreement or other instrument to which it is a party or by which it may be bound; and

(iii) no consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is necessary in connection with the Lender's execution or performance of this Agreement or to the extent such approval, consent or other action is necessary, the same has been obtained and is in full force and effect.

(b) Purchase for Investment. The Lender represents to the Debtor and the Lessee that the Lender is purchasing the Notes to be acquired by it for the account of the Treasurer of the State of North Carolina, as Custodian of Various State Trust Funds, for investment and with no present intention of distributing or reselling such Notes or any part thereof, but without prejudice, however, to the right of the Lender at all times to sell or otherwise dispose of all or any part of such Notes under a registration statement filed under the Securities Act of 1933, as amended, or under an exemption from such registration requirement available under such Act. The Lender acknowledges that none of the Notes have been registered under the Securities Act of 1933, as amended, and that neither the Debtor nor the Lessee contemplates filing, or is it legally required to file, any such registration statement; and the Lender has been advised that each Note must be held indefinitely unless such Note is subsequently registered under said Securities Act or an exemption from such registration is available.

SECTION 4. DELIVERY AND CLOSING CONDITIONS.

The obligations of the parties hereto to perform their obligations hereunder shall be subject to the following conditions:

(a) Notice of Delivery and Closing Dates. Not less than five business days prior to each delivery and closing date or as otherwise consented to by the Lender and the Debtor, both the Lender and the Debtor shall have received written or telegraphic notice from the Lessee designating such delivery and closing date and setting forth the information required by Section 1.3 hereof.

(b) Execution of Agreements. On or before each delivery and closing date, this Agreement, the Lease, the Assignment, and other related instruments contemplated hereby shall have been duly executed and delivered by the respective parties thereto and shall be in full force and effect.

(c) Recordation and Filing. On or before the first delivery and closing date the Lessee or its designee shall have, at its sole expense, caused the Lease, this Agreement, and the Assignment to be duly filed, recorded and deposited in conformity with 49 United States Code, §11303 and in such other places within the United States as the Lender and/or the Debtor may reasonably request for the protection of the title to or the security interest of the Lender in the Equipment and shall have furnished the Debtor and the Lender with proof thereof.

(d) Certificate of Lessee. On each delivery and closing date the Lender and the Debtor shall have received executed copies of a Certificate of the Lessee dated such date in substantially the form attached hereto as Exhibit B, the truth and accuracy of which shall be a condition to the obligation of the Lender and the Debtor to make their investment contemplated by Section 1 hereof on such date.

(e) Certificate of Debtor. On each delivery and closing date the Lender shall have received a certificate dated such date signed by the Debtor to the effect that the representations and warranties of the Debtor contained in Section 2.1 hereof are true in all material respects on such date with the same effect as though made on and as of such date.

(f) Opinion with Respect to Residual Value and Useful Life. On or prior to the first delivery and closing date the Debtor shall have received executed copies of an opinion of a qualified expert having professional knowledge of the Equipment, satisfactory to the Debtor, to the effect that the Equipment will have a useful life of at least twenty years and a fair market value at the end of the fifteenth year of the Lease of at least 20% of the purchase price thereof, without including in such value any increase or decrease for inflation or deflation during such original term.

(g) Opinions of Counsel. On each delivery and closing date the Lender and the Debtor shall have received the favorable written opinions of counsel for the Lessee and the Debtor, dated such date, substantially in the forms described in Exhibits C and D hereto, respectively.

(h) Certificates of Acceptance. On each delivery and closing date a duly authorized representative of the Lessee shall have accepted each item of Equipment to be settled for on such date pursuant to the Purchase Order Assignment and Section 2 of the Lease and shall have delivered to the Debtor and the Lender a certificate of acceptance covering each such item.

(i) Certified Invoice. On each delivery and closing date there shall have been delivered to the Debtor and the Lender an invoice or invoices of the supplier to receive payment for items of Equipment on such date setting forth the purchase price of such items and accompanied by or having endorsed thereon a certification by the Lessee as to the correctness of said purchase price.

(j) Bill of Sale. On each delivery and closing date there shall have been delivered to the Debtor and the Lender a bill of sale for the items of Equipment to be settled for on such date signed by the supplier thereof transferring to the Debtor title to such items and warranting to the Debtor and the Lender that at the time of delivery of each such item to the Lessee the supplier had legal title thereto and good and lawful right to sell the same, and title thereto was free of claims, liens and encumbrances of any nature except only the rights of the Lessee under the Lease and the rights of the Lender under this Agreement.

(k) Concurrent Advance. On each delivery and closing date the Debtor and the Lender shall each have advanced its respective portion of the purchase price of the items of Equipment to be settled for on such date.

(l) Notes. The Note to be delivered on each delivery and closing date shall have been duly authorized, executed and delivered to the Lender on such date.

(m) Proceedings Satisfactory as of the Delivery and Closing Dates. All proceedings taken in connection with the transactions contemplated hereby and all documents and papers relating thereto shall on each delivery and closing date be satisfactory to the parties hereto and their respective counsels, if any, on each delivery and closing date, and such parties and their respective counsel shall have received copies of such documents and papers as they may reasonably request.

SECTION 5. INDEMNIFICATION BY DEBTOR WITH RESPECT TO CERTAIN TAXES.

The Debtor shall pay or cause to be paid all taxes, assessments and other governmental charges levied or assessed against it which if unpaid would constitute a lien on the Equipment and also shall indemnify and save harmless the Lender against any reduction in value of the Equipment by reason of any lien or charge imposed on it as a result of the non-payment of any such taxes, assessments or governmental charges and any expenses (including court costs and attorneys' fees) incurred by the Lender in discharging or nullifying any such lien or charge.

SECTION 6. FINANCIAL REPORTS AND RIGHTS OF INSPECTION.

Upon written request therefor, the Debtor shall furnish directly to the Lender or its nominees, pursuant to its officer certificate in the form attached hereto as Exhibit E, the documents received by it from the Lessee pursuant to Section 8 of the Lease or otherwise and the following but only if received from the Lessee:

(a) within 120 days after the close of each fiscal year of the Lessee occurring after the date hereof, an audited balance sheet and statement of changes in financial position of the Lessee, at and as of the end of such fiscal year, together with an audited statement of income of the Lessee for such fiscal year, which statements will have been certified by a firm of independent public accountants of recognized standing selected by the Lessee;

(b) within 60 days after the close of each quarterly period, except the last, of each fiscal year of the Lessee occurring after the date hereof, a balance sheet and statement of changes in financial position of the Lessee, at and as of the end of such quarterly period, together with a statement of income for such quarterly period which may, but need not, consist of Lessee's Form 10-Q Report to the Securities and Exchange Commission;

(c) within the period set forth in (a) above, a certificate of an authorized officer of the Lessee stating that he has reviewed the activities of the Lessee and that, to the best of his knowledge, there exists no Event of Default, as such term is defined in the Lease, and no event which with the giving of notice or the lapse of time, or both, would become such an Event of Default, or if such event or Event of Default shall exist, specifying the nature and status thereof and indicating the intention or expectation of the Lessee as to the disposition thereof;

(d) such additional information as any such party may reasonably request in order to enable such party to determine whether the covenants, terms and agreements of the Lessee set forth in the Lease and in this Agreement have been and are being complied with.

SECTION 7. GRANT OF SECURITY.

7.1 General Pledge. The Debtor, in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Agreement does hereby, and shall, convey, warrant, mortgage, assign, pledge and grant the Lender, its successors in trust and assigns a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 7.2 and 7.3 hereof, subject always to those limitations set forth in Section 7.4 hereof and to excepted rights in collateral as defined in Section 7.6 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral"). In addition hereto, there shall be executed by the Lender and the Debtor the Assignment to further effectuate the intent and implementation of this Section 7, as provided for in Section 1.4 hereof.

7.2 Equipment Collateral. Collateral includes the railroad equipment described in Exhibit A of the Lease, as may be amended or supplemented from time to time and made a part hereof, constituting the Equipment leased and delivered under the Lease, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether now owned or hereafter acquired, except such thereof as remain the property of the Debtor or the Lessee under the Lease, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all property of the Debtor or the Lessee under the Lease, together with all the rents, issues, income, profits and avails therefrom.

7.3 Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as Lessor in, to and under the Lease:

(a) the immediate and continuing right to receive and collect all rental, casualty value payments, indemnities, insurance proceeds and other payments, tenders and security now or hereafter payable or receivable by the Lessor under the Lease pursuant thereto, and in accordance with the Assignment and the Depository-Disbursement Agreement, except those sums reserved as excepted rights in Collateral under Section 7.6 hereof;

(b) the right to make all waivers and agreements, to enter into any supplements, amendments or extensions relating to the Lease or any provision thereof except with regard to the right of the Debtor to receive those sums reserved as excepted rights in Collateral under Section 7.6 hereof or any purchase or renewal option under the Lease; and to take such action only 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, 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; it being the intent and purpose hereof that subject always to the excepted rights in Collateral (as defined in Section 7.6 hereof), the assignment and transfer to the Lender 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 Lender shall have the right to collect and receive all rental and casualty value payments, if any, and other sums for application in accordance with the provisions of Section 10 hereof at all times during the period from and after the date of this Agreement until the indebtedness hereby secured has been fully paid and discharged.

(c) all other rights, powers, privileges, options and other benefits of the Debtor as Lessor under the Lease, provided that such rights et al. shall be exercised only 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.

7.4 Limitations to Security Interest. The security interest granted by this Section 7 is subject to (a) the right, title and interest of the Lessee under the Lease and (b) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith.

7.5 Duration of Security Interest. The Lender, its successors in trust and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in this Agreement, the Notes, and the Assignment and any other related instruments contemplated hereby, then these presents and the estate hereby granted and conveyed shall cease and this Agreement shall become null and void; otherwise, to remain in full force and effect.

7.6 Excepted Rights in Collateral. Subject to the proviso hereto, there are expressly excepted and reserved from the security interest and operation of this Agreement the following described properties, rights, interest 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 Lender:

(a) all payments of any indemnity under Section 17 of the Lease or repayments or interest thereon which by the terms of any of such section of the Lease are payable to the Debtor for its own account;

(b) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 19 of the Lease which by the terms of such policies or the terms of the Lease are payable directly to the Debtor for its own account.

SECTION 8. ADDITIONAL COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor additionally covenants and warrants as follows:

8.1 Warranty of Title. Subject to Section 2.1(e) hereof, the Debtor warrants, and shall defend, the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor excepting only this Agreement and permitted encumbrances herein specified. The Debtor also will, at its own cost and expense, notwithstanding anything herein to the contrary, 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 not related to the ownership of the Equipment. 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.

8.2 Further Assurances. The Debtor will, upon the request of the Lender, at no expense to the Lender, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances reasonably necessary or proper for the perfection of the security interest, being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the rents and other sums due and to become due under the Lease, the Debtor will, pursuant to the terms of the Lease, notify the Lessee of the assignment hereunder and continue to direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease other than Excepted Rights in Collateral from the Collateral directly to the Lender as provided by the Assignment and any other related instruments contemplated hereby entered into in order to effectuate such payment.

8.3. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Lender, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 8.3 contained shall be deemed to modify or change the obligation of the Debtor under Section 8.2 hereof.

8.4 Recordation and Filing. The Debtor hereby authorizes the Lender or its designee to cause this Agreement and all supplements hereto, the Lease and all supplements thereto, the Assignment and 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 Lender in such manner and in such place as may be required by law and as determined by the Lender in order to fully preserve and protect the rights of the Lender hereunder.

8.5. Modifications of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease (except as otherwise expressly provided herein) 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;

(b) receive or collect any rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Lender hereunder) any rent payment then due or to accrue in the future under the Lease in respect of the Equipment other than as provided herein; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Lender 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; provided, however, the Lessor may sell or transfer its equity position in the Lease with the prior written consent of the Lender, which shall not be unreasonably withheld, as long as its security interest hereunder and the Assignment of Lease and Rentals continues undisturbed.

8.6 Power of Attorney in Respect of the Lease.

The Debtor does hereby irrevocably constitute and appoint the Lender its true and lawful attorney with full power of substitution, for it and in its name, place and stead, and upon the occurrence of an Event of a Default which remains unremedied hereunder or under the Lease, to ask, demand, collect, receive, receipt for and sue for any and all rents, income and other sums which are assigned under Sections 7.2 and 7.3 hereof with full power to settle, adjust and compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, 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 Lender may deem necessary or appropriate to protect and preserve the right, title and interest of the Lender in and to such rents and other sums and the security intended to be afforded hereby.

8.7. Notice of Default. The Debtor will give the Lender prompt written notice of any event or condition constituting an Event of Default under the Lease if the Debtor has actual knowledge of such event or condition.

SECTION 9. POSSESSION, USE AND RELEASE OF PROPERTY.

9.1 Possession of Collateral. While the Debtor is not in default hereunder, it 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 of the Equipment shall at all times be subject to the observance and performance of the terms of this Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 9.1.

9.2. Release of Property. So long as no default referred to in Section 10 of the Lease has occurred and is continuing to the knowledge of the Lender, the Lender shall execute a release in respect of any item of Equipment designated by the Lessee for settlement pursuant to Section 7 of the Lease upon receipt from the Lessee of written notice designating the item of Equipment in respect of which the Lease will terminate and the receipt from the Lessee of all sums payable for such item of Equipment in compliance with Section 7 of the Lease.

9.3. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Lender 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 any item or unit of the mortgaged property be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 10. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONIES RECEIVED BY THE LENDER.

10.1. Application of Rents and Other Payments. As more fully set forth in Section 7.3 hereof, the Debtor has hereby granted to the Lender a security interest in rents, issues, profits, income and other sums 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 as defined in Section 11 hereof has occurred and is continuing:

(a) all amounts from time to time received by the Lender which constitute payment by the Lessee under the Lease of the installments of rental 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 rental which are received by the Lender, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the date of the receipt thereof by Lender;

(b) The amounts from time to time received by the Lender which constitute settlement by the Lessee of the "Casualty Value" for any item of Equipment pursuant to Section 7 of the Lease shall be applied by the Lender as follows:

(i) First, an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph (ii) shall be applied on the Notes;

(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 Notes issued on the delivery and closing date on which such item of Equipment was delivered so that each of the remaining installments of each such Note shall be reduced in the proportion that the principal amount

of the prepayment 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 Lender after making the applications 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).

For the purposes of this Section 10.1(b), 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 the purchase price of such item of Equipment for which settlement is then being made and the denominator of which is the aggregate purchase price of all items of Equipment then subject to the Lease (including the purchase price of such item of Equipment for which settlement is then being made) which were delivered on the same delivery and closing date as the item for which settlement is then being made, times (B) the unpaid principal amount of the Notes issued on the delivery and closing date on which such item of Equipment was delivered immediately prior to the prepayment provided for in this Section 10(b) (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 10(b));

(c) The amounts received by the Lender from time to time which constitute proceeds of casualty insurance maintained by the Lessee in respect of the Equipment, shall be held by the Lender as a part of the Collateral and shall be applied by the Lender from time to time to any one or more of the following purposes:

(i) So long as no Event of Default has occurred and is continuing to the knowledge of the Lender, the proceeds of such insurance shall, if the item of Equipment is to be repaired, be released to the Debtor to reimburse the Lessee for expenditures made for such repair upon receipt by the Lender of a certificate of an authorized officer of the Lessee to the effect that any damage to such item in respect of which such proceeds were paid has been fully repaired; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (i) within 180 days from the receipt thereof by the Lender, or if within such period the Lessee shall have notified the Lender in writing that the Lease is to be terminated in accordance with the provisions of Section 22 of the Lease then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Lender, the insurance proceeds shall be applied by the Lender as follows:

(A) First, to the prepayment of the Notes, all in the manner and to the extent provided for by clauses First and Second of Section 10.1(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Lender after making the applications provided for by the preceding subparagraph (A) shall be released to or upon the order of the Debtor on the date of such prepayment of the Notes.

10.2. 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.

10.3. Default. If an Event of Default referred to in Section 11 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 7.3 hereof shall be applied in the manner provided for in Section 11 in respect of proceeds and avails of the Collateral.

SECTION 11. DEFAULTS AND OTHER PROVISIONS.

11.1. Events of Default. The term "Event of Default" for all purposes of this Agreement shall mean one or more of the following:

(a) default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days after written notice from the Lender to the Debtor.

(b) an event of default (as defined in the Lease) shall have occurred and be continuing under the Lease; beyond any grace period provided therein and an additional five days;

(c) default on the part of the Debtor in the observance or performance of any other covenant or agreement to be observed or performed by the Debtor under this Agreement, and such default shall continue unremedied for 30 days after written notice from the Lender to the Debtor specifying the default and demanding the same to be remedied, and if such default cannot be remedied by the Debtor during such 30-day period after its diligent efforts to so remedy are made in good faith, such default shall continue unremedied for another 30 days;

(d) any representation or warranty on the part of the Debtor made herein or in any report, certificate, financial or other statement furnished in connection with this Agreement or the Lease, or the transactions contemplated therein, shall prove to be false or misleading in any material respect when made; or

(e) any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Lessee is obliged to discharge under Section 7 of the Lease) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed within thirty calendar days after written notice from the Lender or the holder of any Note to the Debtor and the Lessee demanding the discharge or removal thereof.

11.2. Lender's Rights. When any Event of Default as defined in Section 11.1 has occurred and is continuing, but subject always to Section 11.3 hereof, the Lender shall 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, the Lender 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 or remedies conferred hereunder are 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) the Lender or the holder of any of the Notes may, 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;

(b) subject always to the rights of the Lessee under the Lease, the Lender 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.

(c) subject always to the rights of the Lessee under the Lease, the Lender 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 Lessee at least ten (10) days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the 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 Lender 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 published notice, and the Lender or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) subject always to the rights of the Lessee under the Lease, the Lender may proceed to protect and enforce this Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the 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 mortgaged property or any part thereof, or subject to the provisions of Section 12 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; and

(e) subject always to the rights of the Lessee under the Lease, the Lender 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 Lender or in the name of the Debtor for the use and benefit of the Lender.

11.3. Certain Rights of the Debtor on the Occurrence of an Event of Default Under the Lease. Except as hereinafter provided, if an Event of Default under the Lease of which the Lender has knowledge shall have occurred and be continuing the Lender shall give the Debtor not less than ten (10) days' prior written notice of the date (the "Enforcement Date") on which the Lender will exercise any remedy or remedies pursuant to Section 11.2 hereof. If an Event of Default under the Lease shall have occurred and be continuing, the Debtor shall have the following rights hereunder.

(a) Rights to Cure. In the event of the occurrence of an Event of Default in respect of the payment of Rental, or any other Event of Default which may be remedied by a payment of a monetary sum under the Lease on the day it becomes due and payable (unless there shall have occurred and be continuing any other Event of Default under the Lease other than a failure to pay Periodic Rental or any such monetary sum), the Debtor may, prior to the Enforcement Date, as to such Periodic Rental payment default, pay to the Lender 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 as to any such other Event of Default, pay such sum to the party to receive the same and such payment by the Debtor shall be deemed to cure such Event of Default under the Lease which would otherwise have arisen on account of such non-payment; provided, however, that the Debtor may not exercise such right in respect of more than two consecutive Periodic Rental payment defaults or in any event more than a total of four times throughout the term of the Lease.

The Debtor shall not, by exercising the right to cure any such 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 the Debtor against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Lender in and to the Collateral. Upon such payment by the Debtor of the amount of principal and interest then due and payable on the Notes, the Debtor shall be subrogated to the rights of the Lender in respect of the Periodic Rental 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 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 Lender

of such Periodic Rental, the Debtor shall be entitled to receive such Periodic Rental and such interest upon receipt thereof by the Lender; provided that (i) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 11.2(a) 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 Lender in respect of such payment of Periodic Rental and such interest on such overdue Periodic Rental prior to receipt by the Debtor of any amount pursuant to such subrogation, and (ii) the Debtor 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 11.3(a) above, the Debtor may at its option prepay the Notes, without premium or penalty, by payment of the entire unpaid principal amount thereof, together with accrued interest thereon to the date of prepayment.

11.4. Acceleration Clauses. 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 Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, 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 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 including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

11.5. Waiver by Debtor. To the extent permitted by law, the Debtor will not at any time insist upon or plead, or in any manner whatever 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 appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the 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, to the full extent legally permitted, 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 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 Lender, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

11.6. 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, 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).

11.7. Application of Sale Proceeds. The 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 expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Lender or the holder or holders and 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 of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal, interest and premium, if any; 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, if any, with application on each Note to be made, first, to the unpaid interest thereon, and second, to unpaid principal thereof; 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

and second, to unpaid principal thereof; 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; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

11.8. Discontinuance of Remedies. In case the Lender shall have proceeded to enforce any right under this Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Lender, 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 Agreement.

11.9. Cumulative Remedies. No delay or omission of the Lender or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Lender, 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 herein. 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 secured under this Agreement operate to prejudice, waive or affect the security of this Agreement or any rights, powers or remedies hereunder, nor shall the Lender or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security or collateral.

SECTION 12. MISCELLANEOUS.

12.1. Registration and Execution. The Notes shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President or any other officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

12.2. Payment of the Notes.

(a) The principal of, and premium, if any, and interest on the Notes shall be payable as provided under the Lease, in immediately available funds, by wire transfer or otherwise, in the case of each holder of a Note, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, by first class, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 12.3. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Notes agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 12.4 and 12.5.

(b) all amounts constituting payment of the installments of rental under the Lease or Casualty Value received by the Lender and applied on the Notes pursuant to Section 10 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

12.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of 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.

12.4. 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 corporate office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Note or Notes in denominations of not less than \$50,000.00 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the Lender for delivery to such transferee.

(b) the holder of any Note or Notes may surrender such Note or Notes as the principal office of the

Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$50,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denominations or denominations so requested and in the aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to such holder.

(c) all Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten (10) days preceding any installment payment date with respect thereto.

(d) no notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 12.4 and the holder of any Note issued as provided in this Section 12.4 shall be entitled to any and all rights and privileges granted under this Agreement to a holder of a Note.

(e) 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 such security or indemnity as may be required by the Debtor to save it harmless from all risks, and the applicant shall also furnish to the Debtor evidence to its 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 such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Lender, or its

nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the appropriate official of such Lender 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 indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Lender to indemnify the Debtor for any claims or action against it (and for its attorney's fees) resulting from the issuance of such new Note or the reappearance of the old Note.

12.5. The New Notes.

(a) each new Note (herein, in this Section 12.5, called a New Note), issued pursuant to Section 12.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 12.5, called an Old Note) shall be dated the date of such Old Note. The Debtor shall mark on each New Note (i) the dates 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 aggregate 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 12.4(a), (b) or (e), the Debtor may require the payment 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 12.4(a), (b) or (e) 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 Agreement to

the same extent as the Old Notes.

12.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, 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 Agreement.

12.7. Registered Owner. The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Agreement and the Debtor shall not 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 may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

12.8. 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, promises and agreements in this Agreement contained by or on behalf of the Debtor or by or on behalf of the Lender, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

12.9. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provision herein contained unenforceable or invalid.

12.10. Communications. All communications provided for herein shall be in writing by registered mail, postage prepaid, addressed as follows:

If to the Debtor	:	BENEFICIAL LEASING GROUP, INC. 250 Park Avenue New York, New York 10017 Attention: Mr. Gerard R. Nocera
If to the Lender	:	Mr. C. S. Moore Deputy Treasurer, Department of Treasury, Division of Investments and Banking State of North Carolina 325 North Salisbury Street Raleigh, North Carolina 27611

If to another holder
of notes

: At its address for notices
set forth in the Register

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

12.11. Amendments. This Agreement may, from time to time and at any time, be amended or supplemented by an instrument or instruments in writing executed by the parties hereto.

12.12. Release. The Lender shall release this Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

12.13. Governing Law. This Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of New York; provided, however, that the Lender shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

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

12.15. 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 Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, as of the day and year first above written.

BENEFICIAL LEASING GROUP, INC.

By: [Signature]
Authorized Officer

TREASURER OF THE STATE OF NORTH CAROLINA

By: [Signature]
C. S. Moore, Deputy Treasurer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this ³ day of ^{June} May, 1979, before me personally appeared Gerard Nozza, to me personally known, who being by me duly sworn, says that he is an authorized officer of BENEFICIAL LEASING GROUP, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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 of the foregoing instrument was the free act and deed of said corporation.

Joan B Kessler
Notary Public
JOAN KESSLER
Notary Public State of New York
No. 31-4642007
Qualified in New York County
Commission Expires March 30, 1981

[NOTORIAL SEAL]

My commission expires:

STATE OF NORTH CAROLINA)
) ss.:
COUNTY OF WAKE)

On this ^{22nd} day of May, 1979, before me personally appeared C. S. MOORE, to me personally known, who being by me duly sworn, says that he is the Deputy Treasurer of the State of North Carolina, and that the foregoing instrument was signed by him not individually but in that capacity and for and on behalf of the State of North Carolina.

Sue M Lee
Notary Public

[NOTORIAL SEAL]

My commission expires:

4-25-83

BENEFICIAL LEASING GROUP, INC.

9 3/4% SECURED NOTE

No.

\$

FOR VALUE RECEIVED, the undersigned, BENEFICIAL LEASING GROUP, INC. (the "Debtor") 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 3/4% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

- (i) One (1) installment of all accrued and unpaid interest only payable on 1979; followed by
- (ii) Thirty (30) equal installments of unpaid principal and accrued interest, each installment in the amount of \$ commencing on 1980, and to be paid semi-annually and consecutively and ending on 1995, until the entire principal and interest remaining unpaid has been paid,

EXHIBIT A
(to Loan and Security Agreement)

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at the rate of 10-3/4% per annum after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof 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.

The Note is one of the 9-3/4% Secured Notes of the Debtor not exceeding \$5,200,000.00 in aggregate principal amount (the "Notes") issued and secured by, under and pursuant to the Loan and Security Agreement, dated as of May , 1979 (the "Loan and Security Agreement") between the Debtor and the Treasurer of the State of North Carolina (the "Lender"). Reference is made to the Loan and Security Agreement and all supplements and amendments thereto executed pursuant to the Loan and Security Agreement for a description of the Collateral, the nature and extent of the security and rights of the Lender, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments may be required to be made on this Note and any other Notes outstanding under the Loan and Security Agreement. The Debtor agrees to make any prepayments on the Notes in accordance with the provisions of the Loan and Security Agreement.

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

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and the Loan and Security Agreement are governed by and shall be construed in accordance with the laws of the State of New York.

It is expressly understood and agreed by and between the Debtor, the Lender and the holder of this Note and their respective successors and assigns that so far as the Lender and any person claiming by, through or under the Lender is concerned, they shall look solely to the Collateral as indicated in the Loan and Security Agreement, and not to the independent assets of the Debtor, for the payment and performance of any

obligation under this Note, and the rentals and other payments due under a Lease of Railroad Equipment between the Debtor and American Cyanamid Company, provided that nothing in this paragraph shall be construed to limit in scope or substance those representations or warranties, undertakings and agreements of the Debtor, to which personal liabilities of the Debtor expressly arise under Section 2.4 of the Loan and Security Agreement.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

BENEFICIAL LEASING GROUP, INC.

By:

Dated:

, 1979

Authorized Officer

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

DESCRIPTION OF OFFICER'S
CERTIFICATE OF LESSEE

The officer's certificate of Lessee, which is called for by Section 4(d) of Loan and Security Agreement, shall be dated each Delivery and Closing Date and presented to the Lender and Debtor, shall be satisfactory in form and substance to such parties and shall be to the effect that:

Attached as Exhibit A is a true and correct copy of the Lease of Railroad Equipment between the Debtor, as Lessor, and American Cyanamid Company, as Lessee. Said lease has been properly executed by Lessee and, to its best knowledge, has not been amended, modified, annulled or revoked and is in full force and effect.

Exhibit B

(to Loan and Security Agreement)

DESCRIPTION OF OPINION OF COUNSEL FOR THE DEBTOR

The opinion of Messrs. Lowenthal, Landau, Fisher & Singer, P.C., counsel for the Debtor, which is called for by Section of the Loan and Security Agreement, shall be dated each Delivery and Closing Date and addressed to the Lender thereunder and the Lessee, shall be satisfactory in form and substance to said parties, and shall be to the effect that:

1. The Debtor is duly organized, legally existing and in good standing under the laws of the State of Delaware.
2. The Debtor has full right, power and authority to enter into and perform the Loan and Security Agreement, the related promissory notes, (the "Notes"), the Lease of Railroad Equipment, the Assignment of Lease and Rentals and the Depository Disbursement Agreement and to perform each and all of the matters and things provided for in said instruments.
3. The Loan and Security Agreement, the Notes, the Lease of Railroad Equipment, the Assignment of Lease and Rentals and the Depository Disbursement Agreement have been duly authorized by all necessary action on the part of the Debtor, have been duly executed and delivered by the Debtor and constitute the legal, valid and binding obligations, contracts and agreements of the Debtor enforceable in accordance with their respective terms, except as such terms may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.
4. No consent, approval or authorization of any governmental authority is required on the part of the Debtor in connection with the execution and delivery of the Loan and Security Agreement, the Notes, the Lease of Railroad Equipment, the Assignment of Lease and Rentals and the Depository Disbursement Agreement and the Debtor has complied with any applicable provisions of law requiring any designation, declaration, filing, registration and/or qualification with any governmental authority in connection with the execution and delivery of such agreements and contracts.
5. The execution and delivery by the Debtor of the Loan and Security Agreement, the Notes, the Lease of Railroad Equipment, the Assignment of Lease and Rentals and the Depository Disbursement Agreement and compliance by the Debtor with all of the provisions of the same will not, to the best of such counsel's knowledge, conflict with, nor result in any breach of any of the provisions of, or constitute a default

under, or result in the creation of any lien upon any property of, the Debtor or any subsidiary of the Debtor under the provisions of, the certificate of incorporation or by-laws of the Debtor or of any indenture, mortgage, conditional sale, loan or credit agreement or other instrument to which the Debtor is a party or by which it may be bound.

6. The Debtor has good title to the Items of Equipment being settled for on such Delivery and Closing Date free and clear of all claims, liens and encumbrances of any nature excepting only Permitted Encumbrances (as defined in the Loan and Security Agreement).

7. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Loan and Security Agreement is an exempted transaction under the Securities Act of 1933 and does not, under existing law, require the registration of the Notes under the Securities Act of 1933 or the qualification of the Security Agreement under the Trust Indenture Act of 1939.

DESCRIPTION OF OPINION OF COUNSEL FOR THE LESSEE

The opinion of counsel for the Lessee, which is called for by Section 15 of the Lease of Railroad Equipment, shall be in the form of an opinion of the General Counsel of American Cyanamid Company covering the matters contained in paragraphs 1 through 8 in such Section. Each such opinion shall be dated each Delivery and Closing Date and addressed to the Debtor (Lessor) and the Lender and shall be satisfactory in form and substance to such parties.

Exhibit D
(to Loan and Security Agreement)