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REGISTRATION NO. _____ FILED 270

JAN 18 1989 10:53 AM

TELECOPY
(415) 362-1010

INTERSTATE COMMERCE COMMISSION

January 18, 1989

9 018A023

No. 1
Date JAN 18 1989

Fee \$ 13.00

ICC Washington, D. C.

Honorable Noreta R. McGee
Secretary
Interstate Commerce Division
Washington, D.C. 20423

Helm Financial

Dear Ms. McGee:

\$13.00 filing fee

On behalf of Helm Financial Corporation, I submit for filing and recording under 49 U.S.C. Section 11303(a) and the regulations promulgated thereunder, six (6) executed counterparts of a primary document, not previously recorded, entitled Security Agreement, executed January 17, 1989.

The executing party to the enclosed Security Agreement

Helm Financial Corporation - Debtor
One Embarcadero Center, Suite 3500
San Francisco, CA 94111

The secured party under the Security Agreement is:

The First National Bank of Boston - Secured Party
100 Federal Street
Boston, Massachusetts 02106

The Security Agreement, among other things, covers the granting of a security interest by the Debtor to the Secured Party in all locomotives and rolling stock now owned or hereafter acquired by the Debtor, and all rights of the Debtor in the leasing thereof, to secure the payment of a loan.

The equipment covered is all locomotives and rolling stock now owned or hereafter acquired.

A short summary of the document to appear in the ICC Index is as follows:

"Covers all locomotives and rolling stock now owned or hereafter acquired."

Vertical handwritten notes on the left margin: "New member", "Kathie Flowers", and a signature.

Vertical handwritten notes on the right margin: "10/18/89" and "5".

MANWELL & WES

Honorable Noreta R. McGee
January 18, 1989
Page Two

Enclosed is a check in the amount of thirteen dollars (\$13.00) in payment of the filing fee. Once the filing has been made, please return to bearer the stamped counterparts of the Security Agreement not needed for your files, together with the fee receipt, the letter from the ICC acknowledging the filing, and the two extra copies of this transmittal letter.

Very truly yours,



L. Celeste H. Blumer

Enclosures
LCHB:its

Interstate Commerce Commission
Washington, D.C. 20423

1/18/89

OFFICE OF THE SECRETARY

L. Celeste H. Blumer

Manwell & Wes

Citicorp Center

One Sansome Street

14th Floor

San Francisco, Calif. 94104

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/18/89 at 10:55am, and assigned recordation number(s).

Sincerely yours,

Nurita R. McGee

Secretary

Enclosure(s)

properties, assets and rights (all of the same being hereinafter referred to as the "Collateral"):

(a) all railroad cars, locomotives and other rolling stock in which the Company now or at any time hereafter has an interest (the "Railroad Equipment"), and all other equipment, fixtures, machinery and tangible personal property of every kind and nature;

(b) all of the right, title and interest of the Company in, to and under each lease or other agreement by which Railroad Equipment or any other assets of the Company are or shall be leased to others, whether now or hereafter in effect (the "Leases"), including without limitation all right, title and interest of the Company in and to all rents, issues, profits and revenues and other income arising from each Lease and other moneys due and to become due to the Company under each Lease, all proceeds of and all claims for damages arising out of the breach of each Lease, the right of the Company to terminate each Lease and to compel performance of the terms and provisions thereof, and all chattel paper, contracts, instruments and other

documents evidencing each Lease or any moneys due or to become due thereunder or related thereto;

(c) all of the right, title and interest of the Company in, to and under any intercompany management agreement or other management agreement with respect to Railroad Equipment whether now or hereafter in effect (the "Management Agreements"), including without limitation the Management Agreements described on Schedule 1, including without limitation all right, title and interest of the Company in and to all fees, issues, profits and revenues and other income arising from each Management Agreement and other moneys due and to become due to the Company under each Management Agreement, all proceeds of and all claims for damages arising out of the breach of each Management Agreement, the right of the Company to terminate each Management Agreement and to compel performance of the terms and provisions thereof, and all contracts, instruments and other documents evidencing each Management Agreement or any moneys due or to become due thereunder or related thereto;

(d) all accounts, contract rights, warranty claims, rights to the payment of money, including tax refund claims and policies and contracts of insurance;

(e) all security and other assigned interests held by the Company in leases or other properties of any other person or entity;

(f) all goods, inventory, accounts receivable, notes receivable and chattel paper;

(g) all documents, instruments and general intangibles;

(h) all patents, trademarks, trade names, copyrights, engineering drawings, service marks, books and records; and

(i) all real property, and interests in and rights in, on or over real property.

§2. OBLIGATIONS SECURED. The Collateral hereunder constitutes and will constitute continuing security for all the obligations of the Company and the Guarantors to the Bank and any institutional lender who becomes a Participant in or holder of any of the obligations comprising the Obligations (as defined below), now existing or hereafter arising, direct or indirect, absolute or contingent, due or to become due, matured or unmatured, liquidated or unliquidated, arising by contract, operation of law or otherwise, including without limitation all

obligations arising under the Credit Agreement of even date herewith (the "Credit Agreement") among the Company, the Guarantors and the Bank, and under the Notes and the other Loan Documents, in each case as such instrument is originally executed or as modified, amended, supplemented or extended, and all obligations of the Company and the Guarantors to the Bank arising out of any extension, refinancing or refunding of any of the foregoing obligations (all of the foregoing are hereinafter collectively referred to as the "Obligations").

§3. PRO RATA SECURITY; APPLICATION OF PROCEEDS OF COLLATERAL. All amounts owing with respect to the Obligations shall be secured pro rata by the Collateral without distinction as to whether some Obligations are then due and payable and other Obligations are not then due and payable. Upon any realization on the Collateral by the Bank, whether by receipt of insurance proceeds or upon foreclosure and sale of all or part of the Collateral pursuant to this Agreement or otherwise, the Company and the Bank agree that the proceeds thereof shall be applied (a) first, to the payment of expenses incurred with respect to the maintenance and protection of the Collateral and expenses incurred pursuant to §10 with respect to the sale of or realization on any of the Collateral or the perfection, enforcement or protection of the rights of the Bank (including

reasonable attorney's fees and expenses of every kind), and (b) second, to the Obligations. Amounts applied to the payment of the Obligations shall be applied first to interest and fees due with respect to the Obligations and then to the principal amounts of the Obligations.

§4. OPTION TO PERFORM OBLIGATIONS OF THE COMPANY IN RESPECT OF COLLATERAL. If any default or event of default with respect to any of the Obligations under any of the Loan Documents (an "Event of Default") shall have occurred and be continuing, the Bank may, at its option, discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, pay for the maintenance and preservation of the Collateral; and should the Company fail or refuse to make any other payment or perform any other action which the Company is obligated to make, perform, observe, take or do, hereunder or under any other agreement evidencing or executed and delivered in connection with any of the Obligations, then the Bank may, at its sole discretion, without notice to or demand upon the Company and without releasing the Company from any obligation, covenant or condition hereof, make, perform, observe, take or do the same in such manner and to such extent as the Bank may deem necessary to protect the security of this Agreement. The Company agrees to reimburse the Bank on demand for any payment

made, or any expense incurred by the Bank pursuant to the foregoing authorization, and agrees further to pay interest on such payment or expense at the Overdue Rate from the date of said payment or expenditure to the date of such reimbursement.

§5 FURTHER ASSURANCES; RESTRICTIONS ON TRANSFER. (a) On the date hereof, the Company has delivered to the Bank certain lease directives executed by the Company in blank in the form of Exhibit A (the "Lease Directives"). The Company will, from time to time at the request of the Bank, execute and deliver to the Bank additional Lease Directives so that the number of Lease Directives held by the Bank shall at all times at least equal the number of Leases then in effect. The Lease Directives will be maintained in the custody of the Bank and shall be sent by the Bank to any lessees under the Leases only under the circumstances described in §7(c).

(b) The Company will, at its sole cost and expense, do, execute, acknowledge and deliver all further acts, supplements, financing statements, security agreements, conveyances, transfers, assurances and other documents necessary or advisable for the perfection and preservation of the lien and security interest created by this Agreement in the Collateral, whether now owned or hereafter acquired. The Company will cause this

Agreement and all supplements hereto, and all financing statements and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Bank in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Bank hereunder.

(c) Except as permitted by §8.9 of the Credit Agreement, the Company will not sell or offer to sell or otherwise transfer the Collateral or any interest therein. Except as permitted by §8.7 of the Credit Agreement, the Company will not pledge or mortgage, or create or suffer to exist a security interest, lien or other encumbrance of any kind on, the Collateral in favor of any Person other than the Bank.

§6. POWER OF ATTORNEY. (a) Appointment. The Company hereby irrevocably constitutes and appoints the Bank and any officer or agent thereof, with full power of substitution, as capable power and authority in the place and stead of the Company and in the name of the Company or in its own name, effective as of the date hereof but exercisable in the Bank's discretion only upon the occurrence of an Event of Default, to take any and all appropriate action and to execute any and all documents and instruments (including without limitation any

Lease Directives) which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, the Company hereby gives the Bank the power and right, upon the occurrence of an Event of Default, on behalf of the Company, without notice to or assent by the Company, (i) to receive payment of and receipt for any and all moneys, claims and other amounts due at any time in respect of or arising out of any Collateral; (ii) to sign and indorse any documents relating to the Collateral; (iii) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (iv) to defend any suit, action or proceeding brought against the Company with respect to any of the Collateral; to settle, compromise or adjust any suit, action or proceeding described in clause (iv) above and, in connection therewith, to give such discharges or releases as the Bank may deem appropriate; and (vi) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Bank were the absolute owner thereof for all purposes, and to do, at the Bank's option and the Company's expense, at any time or from time to time, all acts and things which the Bank deems reasonably necessary to protect, preserve or realize upon the

Collateral and the Bank's security interest therein, in order to effect the intent of the Loan Documents, all as fully and effectively as the Company might do. The Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter so long as any of the Obligations remain unsatisfied.

(b) No Duty. The powers conferred on the Bank hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Bank shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for its own or their own gross negligence or willful misconduct.

(c) Additional Rights. The Company authorizes the Bank, at any time and from time to time, to execute, in connection with any sale provided for in this Agreement, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

§7. REMEDIES. In case any one or more Events of Default shall have occurred and be continuing, and whether or not any acceleration of the maturity of the amounts due in respect of any of the Obligations shall have occurred then, to the fullest extent permitted by applicable law:

(a) Rights under UCC. The Bank shall have, in addition to all other rights and remedies given it by any instrument or other agreement evidencing or executed and delivered in connection with any of the Obligations and otherwise allowed by law, the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Collateral may be located, and without limiting the generality of the foregoing, the Bank may immediately, without (to the fullest extent permitted by law) demand of performance or advertisement or notice of intention to sell or of time or place of sale or of redemption or other notice or demand whatsoever to the Company (except that the Bank shall give the Company at least ten days' notice of the time and place of any proposed sale or other disposition), all of which are hereby expressly waived to the fullest extent permitted by law, sell at public or private sale or otherwise realize upon, in the City of Boston, Massachusetts, or elsewhere, the whole or from time to

time any part of the Collateral in or upon which the Bank shall have a security interest or lien hereunder, or any interest which the Company may have therein, and after deduction from the proceeds of sale or other disposition of the Collateral all expenses (including all reasonable expenses for legal services) as provided in §10, shall apply the residue of such proceeds toward the payment of the Obligations in accordance with §3. The Company shall remain liable for any deficiency remaining unpaid after such application, and any surplus remaining after satisfaction of the Obligations shall be paid to the Company. If notice of any sale or other disposition is required by law to be given, the Company hereby agrees that a notice given to the Company, at least ten days before the time of any intended public sale or other disposition of the Collateral is to be made, shall be reasonable notice of such sale or other disposition. The Company also agrees to assemble the Collateral at such place or places as the Bank reasonably designates by written notice. At any such sale or other disposition the Bank may itself, and any other person or entity owed any Obligation may itself, purchase the whole or any part of the Collateral sold, and after such sale such Collateral shall be free from any right of redemption on the part of the Company, which right is hereby waived and released to the fullest extent permitted by law.

(b) Entry and Possession. Furthermore, without limiting the generality of any of the rights and remedies conferred upon the Bank under §7(a), the Bank, to the fullest extent permitted by law, may enter upon the premises of the Company, exclude the Company therefrom and take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court therefor, using all necessary force to do so, and may, at the Bank's option, use, operate, manage and control the Collateral in any lawful manner and may collect and receive all rents, income, revenue, earnings, issues and profits therefrom, and may maintain, repair, renovate, alter or remove the Collateral as the Bank may determine in its discretion, and any monies so collected or received by the Bank shall be applied to, or may be accumulated for application upon, the Obligations in accordance with §3.

(c) Notification to Lessees. (i) Upon demand by the Bank, the Company will specifically authorize and direct the lessee under each Lease to make payment of all moneys due and to become due under or arising out of such Lease directly to the Bank (and the Company hereby specifically authorizes the Bank upon such occurrence to send to any or all such lessees a Lease Directive or other notification so directing such payments). Upon such demand the Company, on its behalf, irrevocably

authorizes and empowers the Bank to ask, demand, receive, receipt and give acquittance for any and all amounts which may be or become due or payable or remain unpaid to the Company by such lessee at any time or times under or arising out of its respective Lease; to endorse any checks, drafts or other orders for the payment of money payable to the Company in payment therefor, and in the Bank's discretion to file any claims or take any action or proceedings either in its own name or in the name of the Company or otherwise, which the Bank may deem to be necessary or advisable so long as any of the Obligations remain unsatisfied.

(ii) It is expressly agreed by the Company that, anything herein to the contrary notwithstanding, the Company shall remain liable under each Lease to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Bank shall have no obligation or liability under any Lease by reason of or arising out of this Agreement or the assignment of any Lease to the Bank or the receipt by the Bank of any payment relating to such Lease pursuant hereto, nor shall the Bank be required or obligated in any manner to perform or fulfill any of the obligations of the Company under or pursuant to any Lease, or to make any payment,

or to make any inquiry as to the nature or the sufficiency of any performance by any party under such Lease, or to present or file any claim, or to take any action to enforce the observance of any obligations of any party to such Lease.

(b) Lessee's Quiet Enjoyment. Notwithstanding the foregoing, the Bank recognizes the right of the lessee under each Lease to the quiet enjoyment of the Railroad Equipment that is subject to such Lease so long as such lessee is not in default under its Lease, and the Bank agrees that in pursuing its remedies under this §7, it will not interfere with such quiet enjoyment so long as no such Lease default exists.

§8. COMPANY'S OBLIGATIONS NOT AFFECTED. The obligations of the Company under this Agreement shall remain in full force and effect without regard to, and shall not be impaired by (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Company, to the extent permitted by law, (b) any exercise or non-exercise, or any waiver, by the Bank of any right, remedy, power or privilege under or in respect of any of the Obligations or any security therefor (including this Agreement), (c) any amendment to or modification of this Agreement or any instrument evidencing any of the Obligations or pursuant to which any of them were issued, (d) any amendment to or modification of any

instrument or agreement (other than this Agreement) securing any of the Obligations, or (e) the taking of additional security for or any guaranty of any of the Obligations or the release or discharge or termination of any security or guaranty for any of the Obligations; and whether or not the Company shall have notice or knowledge of any of the foregoing.

§9. NO WAIVER. No failure on the part of the Bank to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Bank of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy and power hereby granted to the Bank or allowed it by law or other agreement, including, without limitation, the Credit Agreement and other Loan Documents, shall be cumulative and not exclusive of any other, and may be exercised by the Bank from time to time.

§10. EXPENSES. The Company agrees to pay, on demand, all reasonable costs and expenses (including reasonable attorneys' fees and expenses for legal services of every kind) of the Bank incidental to the sale of, or realization upon, any of the

Collateral or in any way relating to the perfection, enforcement or protection of the rights of the Bank hereunder; and the Bank may at any time apply to the payment of all such costs and expenses all monies of the Company or other proceeds arising from the possession or disposition of all or any portion of the Collateral.

§11. MARSHALLING. The Bank shall not be required to marshal any present or future security for (including but not limited to this Agreement and the Collateral pledged hereunder) or guaranties of, the Obligations or any of them, or to resort to such security or guaranties in any particular order; and all of its rights hereunder and in respect of such securities and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Company hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause the delay in or impede the enforcement of the Bank's rights under this Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or guaranteed, and to the extent that it lawfully may, the Company hereby irrevocably waives the benefits of all such laws.

§12. CONSENTS, AMENDMENTS, WAIVERS, ETC. Any term of this Agreement may be amended, and the performance or observance by the Company of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and the Bank.

§13. GOVERNING LAW. Except as otherwise required by the laws of any jurisdiction in which any Collateral is located, this Agreement shall be deemed to be executed as a sealed instrument, governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

§14. PARTIES IN INTEREST. All 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, including without limitation any future holder of the Notes and any institutional lender who becomes a Participant in or holder of any of the Obligations, whether by amendment to the Credit Agreement or otherwise, provided that the Company may not assign or transfer its rights hereunder without the prior written consent of the Bank.

§15. TERMINATION. Upon payment in full of the Obligations in accordance with their terms, this Agreement shall terminate and the Company shall be entitled to the return, at the Company's expense, of such Collateral in the possession or control of the Bank as has not theretofore been disposed of pursuant to the provisions hereof.

§16. NOTICES. Except as otherwise specified herein, all notices and other communications made or required to be given pursuant to this Agreement shall be in writing and shall be delivered by hand, sent by overnight express courier service or mailed by first-class mail, postage prepaid, addressed as follows:

If to the Bank: The First National Bank of Boston
Transportation Division 01-03-04
100 Federal Street
Boston, Massachusetts 02110
Attention: Mr. Shepard D. Rainie
 Vice President
 FAX: (617) 434-1955

With a copy to: Day, Berry & Howard
260 Franklin Street, 21st Floor
Boston, Massachusetts 02110
Attention: William A. Hunter, Esq.
 FAX: (617) 439-4453

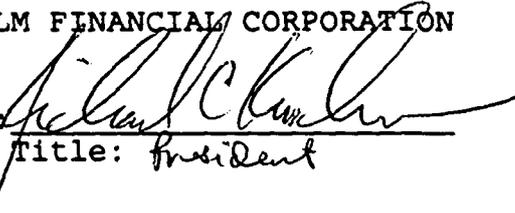
If to the Company: Helm Financial Corporation
One Embarcadero Center, Suite 3500
San Francisco, California 94111
Attention: Mr. Richard C. Kirchner
 President
 FAX: (415) 398-4816

With a copy to: Manwell & Wes
 Citicorp Center, Suite 1400
 One Sansome Street
 San Francisco, California 94014
 Attention: Edmund R. Manwell, Esq.

Any notice so addressed and mailed by registered or certified mail shall be deemed to have been given when mailed.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed as an instrument under seal by its authorized representative as of the date first written above.

HELM FINANCIAL CORPORATION

By: 

Title: President

STATE OF CALIFORNIA

County of San Francisco ss.

On this 17th day of January, 1989, before me personally appeared Richard C. Kirchner, to me personally known, who being by me duly sworn, says that (s)he is the President of Adm Financial Corp., that the seal 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 (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Seal]



Elena F. Gary
Notary Public
My commission expires:

Exhibit A

NOTICE TO LESSEE

HELM FINANCIAL CORPORATION, as lessor under the lease agreement (the "Lease") dated _____, 19__ between Helm Financial Corporation and _____ (the "Lessee"), hereby notifies Lessee of the assignment to The First National Bank of Boston of said Lease and the rentals payable thereunder, or the portion thereof related to the railway equipment listed on the schedule attached hereto.

You are hereby directed to pay to The First National Bank of Boston or as it may direct all rentals and other sums now or hereafter payable to us under said Lease.

HELM FINANCIAL CORPORATION

By: _____
Title: