

Law Offices of
Mair, Camiel & Kovach, P.S.

Peter K. Mair
Peter A. Camiel
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710 Cherry Street
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Of Counsel:
James S. Rummonds

15 May 1998

RECORDATION NO. *21460* FILED
June 9 '98 1-45 PM

Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Secretary:

I have enclosed an original and one copy of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, dated : 14 December 1995.

The names and addresses of the parties to the documents are as follows:

Secured Parties: MAIR, CAMIEL & KOVACH, P.S., and
F. Michael Kovach
710 Cherry Street
Seattle, WA 98104

Debtors: LEWIS & CLARK RAILWAY COMPANY, INC., and Edward M. Berntsen

A description of the equipment covered by the Security Agreement follows:

That 4-axle railroad diesel electric switch locomotive, 115 tons, 800 HP, model SW-8 marked LINC 81 - 1954 EMD/GM locomotive, s/n 19495, together with all parts, fittings, accessories, equipment, special tools, additions, replacements, accessions and substitutions ("Collateral"); and

the interest of the Debtors in the payments made to the Lewis & Clark Railway Company by the Burlington Northern Railroad as the accounting agent for the division of inter-line freight revenues pursuant to contractual arrangement.

A fee of ~~\$~~²⁶ is enclosed. If this amount is not adequate, please call us at (206) 223-0205 so that we can send the appropriate amount to cover your recording this security arrangement. Please return the original and any extra copies not needed by the Commission for recordation to F. Michael Kovach, 710 Cherry Street, Seattle, WA 98104.

RECEIVED
SURFACE TRANSPORTATION
BOARD
JUN 9 1 45 PM '98

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

1. Security Agreement between Lewis & Clark Railway Company, Inc., and Edward M. Berntsen, Debtors, and MAIR, CAMEL & KOVACH, P.S., and F. Michael Kovach of Seattle, WA 98104, secured parties, in that 4-axle railroad diesel electric switch locomotive and the Debtors' interest in the payments made to the Lewis & Clark Railway Company by the Burlington Northern Railroad as the accounting agent for the division of inter-line freight revenues pursuant to contractual arrangement.

Very truly yours,



F. Michael Kovach

June 9 '98

1-45 PM

Security Agreement

This security agreement is entered into between the Lewis & Clark Railway Company and Edward M. Berntsen ("Debtors") and Michael Kovach and the law firm of MAIR, CAMIEL & KOVACH, P.S. ("Secured Parties"). The Parties agree as follows:

1. Debtors' Obligation and Creation of Security Interest. The Debtors grant to the Secured Parties a security interest to secure to Michael Kovach in the payment of a \$40,060.08 Promissory Note dated 13 December 1995 and to secure the law firm of Mair, Camiel & Kovach, P.S. in the payment of a \$7,425.89 Promissory Note dated 7 December 1995 and the Debtors' performance of their various obligations under those notes and this agreement.

2. Collateral. The security interest attaches to the following property:

a. That 4-axle railroad diesel electric switch locomotive, 115 tons, 800 HP, model SW-8 marked LINC 81 - 1954 EMD/GM locomotive, s/n 19495, together with all parts, fittings, accessories, equipment, special tools, additions, replacements, accessions and substitutions ("Collateral"); and

b. the interest of the Debtors in the payments made to the Lewis & Clark Railway Company by the Burlington Northern Railroad as the accounting agent for the division of inter-line freight revenues pursuant to contractual arrangement.

3. Debtors Covenants. The Debtors shall:

a. Keep and maintain the collateral in good condition and repair and not misuse or abuse it, waste or allow it to deteriorate except for ordinary wear and tear in its normal use in business;

b. Keep and maintain such reasonable books and records with respect to its accounts and equipment as the secured parties may from time to time prescribe for the purpose of enabling the secured parties to audit them;

c. Furnish to the secured parties such information concerning its financial condition as they may request from time to time and permit reasonable access by the secured parties to their books and records for the purpose of auditing the same;

d. Make all tax deposits timely and fully so as to avoid any delinquent tax liabilities, and to in any event immediately notify the Secured Parties of any unpaid taxes or claims which might become a lien or encumbrance on property of the Debtors;

e. Insure the collateral against fire and all other reasonably anticipated risks to which it is exposed and those which the Secured Parties may designate from time to time, with policies and amounts commercially reasonable and acceptable to the Secured Parties and payable to both debtor and the Secured Parties as their interest appear, and with duplicate policies deposited in a timely manner with the Secured Parties;

f. Neither sell, transfer, exchange nor otherwise dispose of the collateral or permit it to be subjected to any unpaid charge or any subsequent interest of a third person unless the Secured Parties consent in writing to the charge, transfer, disposition or subsequent interest;

g. Immediately reimburse the Secured Parties for all sums expended by them in connection with any action to remedy a default which the Secured Parties elect, including their reasonable attorneys' fees;

h. Execute alone or with the Secured Parties any documents or procure any documents and pay all costs connected to or necessary to protect the security interest against the rights or interests of third parties; and

i. Cooperate promptly and fully with the Secured Parties in the event that they elect in their sole discretion to foreclose their security interest and sell the collateral upon an event of default.

4. Default--Acceleration. Any failure to make the payments or to perform any act required under this security agreement or the associated Promissory Note, or the death, bankruptcy or other insolvency proceeding of either of the Makers, shall be deemed a default at the sole and absolute election of either of the Secured Parties, if the failure or other event of default remains uncorrected more than ten (10) business days after notice of default is made upon the Debtors by certified mail to P.O. Box 604, Battle Ground, Washington, 98604, and the entire unpaid principal sum and any accrued but unpaid interest or costs and expenses shall become immediately due and owing.

5. Secured Parties's Rights and Remedies. Upon the Debtors' default, the Secured Parties may exercise the rights of a Secured Party under the Uniform Commercial Code, and in addition to those rights may

a. Without notice to or demand upon the debtors, make such payments and do such acts as the Secured Parties consider necessary to protect their security interest in the collateral;

b. Take possession of the collateral, or any part of it and pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of the Secured Parties appears to be prior to or superior to this security interest, and in exercising these powers or authority, pay all expenses incurred in connection with them;

c. Without notice to or demand upon the debtors, declare all obligations and agreements secured by this agreement to be immediately due and payable, and enter upon the premises where the collateral may be and take possession of it and remove it;

d. Sell the collateral and apply the proceeds in the manner provided by the Uniform Commercial Code. The Secured Parties are also entitled to reasonable attorneys' fees and legal expenses incurred in retaking and selling the collateral.

6. Warranties and Affirmations. Debtors warrant and affirm that

a. There is no adverse claim or lien, security interest or encumbrance in or on the collateral other than the security interest granted in this agreement, except for the following:

i. The UCC-1 financing agreement in favor of Fritz Berntsen filed 11 July 1994, which is subordinated by Mr. Berntsen to the Secured Parties; and

ii. Warrant Number 270680 in favor of the Washington Department of Revenue entered 19 September 1994 in Cause Number 94-2-03296-1 in the amount of \$10,142.13.

b. Debtor Lewis & Clark Railway Company is in possession of the collateral and has full right, power and authority to create the security interest granted by this agreement.

7. Attorney's Fees and Costs of Enforcement. Should the Secured Parties be the prevailing parties in a lawsuit or other event connected to the enforcement of this security agreement or the protection of their rights under this agreement, the Debtors promise to pay any such costs and expenses, including any attorney's fees.

8. Savings Clause. If any term or provision of this Agreement shall be invalid or unenforceable, the remainder of this Agreement shall not be affected, and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

9. Washington Law Governs. The provisions of this Agreement shall be construed in accordance with the law of the State of Washington. The parties irrevocably consent to venue in King County and waive any and all objections they might otherwise have regarding the venue of any lawsuit regarding this agreement.

10. Amendments to be in Writing. This written Agreement contains all of the terms and conditions of the agreement between the parties. No agreement made shall be effective to change, modify, or amend this Agreement unless it is in writing and signed by the party against whom enforcement of the change, modification, or amendment is sought.

11. No Waiver. The failure of any party to this Agreement to seek redress for violation of, or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act that would have originally constituted a violation from having all the force and effect of an original violation.

12. Captions. The captions are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope of this Agreement nor the intent of any provisions of this Agreement.

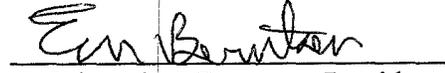
13. Successors and Assigns. The covenants, conditions, and agreements contained in this Agreement shall bind and inure to the benefit of the parties and their respective heirs, distributees, executors, administrators, successors, and assigns.

Executed at Tacoma, Washington, this 14 day of December, 1995.

LEWIS & CLARK RAILWAY COMPANY


Edward M. Berntsen

By:


Edward M. Berntsen, President

CERTIFICATE OF AUTHORIZING RESOLUTION

I, Edward M. Berntsen, certify that I am both the President and Secretary of the Lewis & Clark Railway Company, a Washington corporation; that I am the custodian of the corporate records; that at a duly convened meeting of the Board of Directors of the corporation the Board was provided with a copy of the associated security agreement and adopted the following resolution which has not been modified, repealed or rescinding but is in full force and effect:

Whereas, it is in the best interest of this corporation to secure the Promissory Note from Michael Kovach in the amount of \$40,060.08 and the

corporate obligation to the law firm of MAIR, CAMEL & KOVACH, P.S., in the amount of \$7,425.89 and

Whereas, the proposed security agreement has been submitted to this meeting, been duly considered and the Board finding that the execution of the agreement is in the best interest of the corporation, now, therefore, be it

Resolved, that any Officer of this Corporation be and hereby is authorized and directed on behalf of the Corporation to execute the security agreement and any Financing Statements or amendments, supplements or notices which may be necessary or desirable and to perform all other acts which may be necessary, convenient or expedient to carry out the provisions, intent and purposes of the security agreement, and such action of such Officer shall be taken to be the action of this Corporation and of this Board.

Executed this 14 day of December 1995.

Edward M. Berntsen

Edward M. Berntsen

State of Washington)
)
County of King) ss.

I certify that I know or have satisfactory evidence that Edward M. Berntsen is the person who appeared before me and acknowledged the signature on this instrument and that the execution of this instrument was a free and voluntary act for the uses and purposes mentioned in the instrument.

Dated this 14th of December, 1995.

Barbara J. Winn

Notary Public who resides in

Bellevue, WA

My Commission will expire on:

7/1/96

(Seal or stamp)



Mair, Camiel & Kovach, P.S.
710 Cherry Street
Seattle, Washington 98104
(206) 223-0205; Fax 623-5951