

0100837056

ROSENBLUM
PARISH &
ISAACS
A LAW CORPORATION

Stephen M. Wurzburg

(408) 280-2876

October 31, 1995

19683
RECORDATION NO. _____ FILED 1495
NOV 1 1995 2 10 PM

Mr. Vernon A. Williams, Secretary
Interstate Commerce Commission
12th St. & Constitution Ave. NW
Washington, D.C. 20423

Re: Recordation of Documents
Coast Enterprises, Inc.

Dear Mr. Secretary:

I have enclosed an original and one copy of the document 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 September 25, 1995.

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

Debtor: Sierra Pacific Coast Railway, Inc.
700 River Street
Santa Cruz, CA 95060

Creditor: Coast Enterprises, Inc.
81 West Santa Clara
San Jose, CA 95113

A description of the equipment covered by the document follows: Three EMD F-7 Railway Diesel Locomotive Engines numbers 716, 718, and 721.

A fee of \$21 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Rosenblum, Parish & Isaacs, attn: Sylvia Bosch, 160 West Santa Clara Street Suite 1500, San Jose, CA 95113



Interstate Commerce Commission
Washington, D.C. 20423-0001

11/1/95

Office Of The Secretary

Stephen M. Wurzbürg
Rosenblum, Parish & Issacs
160 West Santa Clara St., Ste. 1500
San Jose, CA., 95113
Att: Sylvia Bosch

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 11/1/95 at 2:10PM, and assigned recordation number(s). 19683.

Sincerely yours.

Vernon A. Williams
Secretary

Enclosure(s)

(0100837056)

\$ 21.00 The amount indicated at the left has been received in payment of a fee in connection with document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had opportunity to examine your document.

Signature

NOV 1 1995 2 10 PM

Preamble

This Security Agreement (this "Agreement") is made as of September 25, 1995 (the "Effective Date"), by and between Coast Enterprises, Inc., a California corporation ("Coast"), and Sierra Pacific Coast Railway, Inc., a California corporation ("Sierra Pacific").

Recitals

Coast and Sierra Pacific are concurrently entering into an Assets Purchase Agreement (the "Purchase Agreement") and Secured Promissory Note pursuant to which Coast will be extending a \$25,000 loan to Sierra Pacific. Sierra Pacific is willing to secure payment of the Note with a security interest in its EMD F-7 railway diesel locomotive engines (the "Engines"). Sierra Pacific owns two Engines, numbers 716 and 718, which are located in Pennsylvania. Sierra Pacific owned a third Engine, number 721, located in Ohio, on which there is a sale pending. If such sale does not go through, then this third Engine would also be included as collateral; otherwise the collateral will only be the other two Engines.

Agreement

Based upon the facts and premises contained in the above Recitals, and the mutual promises below, the parties hereby agree as follows:

1. Security Interest Granted by Sierra Pacific. Sierra Pacific hereby grants to Coast a present and continuing security interest (the "Security Interest") in the "Collateral" as defined in Section 2 below to secure the performance of all of Sierra Pacific's payment and other obligations (the "Obligations") to Coast under the Note.

2. Collateral. The "Collateral" subject to the Security Interest consists of all right, title, and interest of Sierra Pacific in its three Engines (numbers 716, 718, and 721), it being understood that if the pending sale goes through, then the Collateral will only be Engines 716 and 718.

3. Right of Possession. Unless and until an Event of Default (as defined in Section 6 below) occurs, Sierra Pacific will be entitled to the ownership, use, possession and enjoyment of the Collateral but may not sell, assign, transfer, or otherwise dispose of any of its right, title, and interest in the Collateral except to consummate the pending sale of the 721 Engine.

4. Right of Inspection. Coast will have the right at its expense upon reasonable notice to examine and inspect all the books and records of Sierra Pacific concerning the Collateral at any time during normal business hours, provided that such inspection will not unreasonably interfere with Sierra Pacific's normal business operations.

5. Covenants with Respect to the Collateral. Sierra Pacific covenants that, to the extent it has rights in the Collateral:

(a) Preservation of Collateral. Sierra Pacific will take all reasonable steps to preserve and protect the Collateral and the value of the same, including to insure the Collateral against theft. Sierra Pacific will pay all taxes on the Collateral as they become due.

(b) Location. Sierra Pacific will not transfer the Collateral to any location outside of Pennsylvania and Ohio without ten (10) days prior notice to Coast during which time Sierra Pacific shall execute such financing statements as are requested by Coast to perfect its security interest in the Collateral. Sierra Pacific will retain records showing where the Collateral is located at all times.

(c) Filings. Sierra Pacific will execute and deliver such instruments and documents, and cooperate fully in the filing thereof, as Coast reasonably requests and provides, to evidence, perfect, or preserve Coast's Security Interest, including, without limitation, financing statements and similar documents, however denominated, in any nation, state, or province. Sierra Pacific has executed Attachment A, UCC-1 financing statements, which Coast may file in Ohio and Pennsylvania which is where the Engines are located.

6. Events of Default. An "Event of Default" will occur upon Coast's notice to Sierra Pacific of its breach of any of the Obligations not cured within five (5) business days.

7. Remedies on Default. Upon the occurrence of any Event of Default that is not waived in writing by Coast and whose underlying Obligation has not been cured, Coast will be entitled to proceed to enforce its rights, including but not limited to all of the rights and remedies available to a secured party upon default under the California Commercial Code with respect to the Collateral, including the right to possess, own, sell, lease and otherwise dispose of the Collateral or any portion thereof at public or private sale on commercially reasonable terms and upon twenty (20) days' prior written notice to Sierra Pacific or such longer period as may be required by law.

8. Termination. Except as provided in the following sentence, this Agreement and all rights and obligations of the parties under this Agreement, including, without limitation, the Security Interest, will terminate when the Note has been paid in fully. Promptly upon termination of this Agreement, Coast will execute and cooperate fully in the filing of any termination statements or other like documents as reasonably requested and prepared by Sierra Pacific from time to time.

[Remainder of Page Left Intentionally Blank]

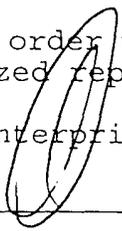
9. Miscellaneous. Sections 6.2 through 6.15, inclusive of the Purchase Agreement are hereby incorporated by reference as Sections 9.1 through 9.14 of this Agreement.

Authorized Signatures

In order to bind the parties to this Security Agreement, their duly authorized representatives have signed their names below.

Coast Enterprises, Inc.

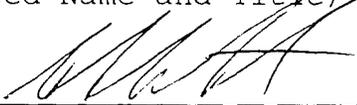
Sierra Pacific Coast Railway, Inc.

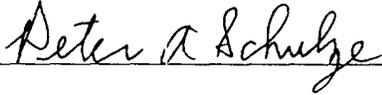
By:  _____

By:  _____

WALTER S. HOEFLER PRESIDENT
(Printed Name and Title)

RICK HAMMAN - PRESIDENT
(Printed Name and Title)

And:  _____

And:  _____

Mikkel G. Hart VP
(Printed Name and Title)

PETER A. SCHULZE CHIEF EXECUTIVE OFFICER
(Printed Name and Title)

Address:
81 W. Santa Clara St.
San Jose, CA 95113

Address:
700 River Street
Santa Cruz, CA 95060

State of California

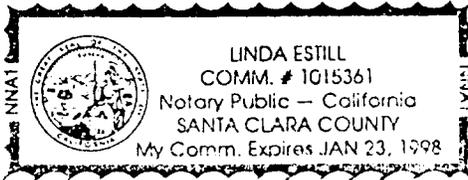
)

) ss.

County of Santa Clara

)

On September 29, 1995 before me, Linda Estill, notary public, personally appeared Rick Hamman and Peter A. Schultze, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



(Seal)

WITNESS my hand and official seal.

Linda Estill

Signature of Notary Public

NOV 1 1995 -2 10 PM

STATE BAR OF CALIFORNIA JUDICIAL BRANCH COMMISSION

Affidavit of Copy Authenticity

I, Stephen M. Wurzburg, certify that I have compared the enclosed copy with the original and found the copy to be complete and identical in all respects to the original document. I further certify under penalty of perjury that the foregoing is true and correct.

10/31/95
Date Executed

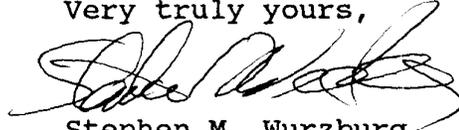

Stephen M. Wurzburg, Esq.

October 31, 1995
Page 2

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

Security agreement between Sierra Pacific Coast Railway, Inc. [Debtor] a California corporation and Coast Enterprises, Inc. [Creditor] a California corporation, dated September 25, 1995, and covering three EMD F-7 Railway Diesel locomotive engines numbers 716, 718, and 721.

Very truly yours,



Stephen M. Wurzburg