

Counter parts - E. M. Lester

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

OF COUNSEL
URBAN A. LESTER

November 6, 1996

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of a Memorandum of Residual Sharing and Security Agreement, dated as of November 1, 1996, a primary document as defined in the Board's Rules for the Recordation of Documents

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

Debtor Compass Rail II
555 California Street
San Francisco, California 94104

Secured Party Mitsui Leasing (U S A.), Inc.
200 Park Avenue
New York, New York 10166

A description of the railroad equipment covered by the enclosed document is set forth on Exhibit A attached to the Security Agreement

Mr. Vernon A. Williams
November 6, 1996
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Also enclosed is a check in the amount of \$22 00 payable to the order of the Surface Transportation Board covering the required recordation fee

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W. Alvord", written in a cursive style.

Robert W Alvord

RWA/bg
Enclosures

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20427-0001

11/8/96

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW., Ste. 200
Washington, D.C., 20006-2973

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 11/8/96 at 1:00, and assigned recordation number(s). 20353, 20359 20359 A and 20360.

Sincerely yours,

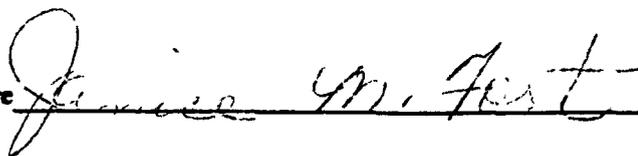


Vernon A. Williams
Secretary

Enclosure(s)

\$ 89.00 The amount indicated at the left has been received in payment of a fee in connection with a 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 an opportunity to examine your document.

Signature



20368
NOV 6 1996 4:00 PM

**MEMORANDUM
OF
RESIDUAL SHARING
AND
SECURITY AGREEMENT**

THIS MEMORANDUM OF RESIDUAL SHARING AND SECURITY AGREEMENT is intended to evidence the Residual Sharing and Security Agreement dated as of November 1, 1996 (the "Agreement"), between COMPASS RAIL II, a California corporation, located at 555 California Street, San Francisco, California 94104 ("Compass"), and MITSUI LEASING (U.S.A.), INC., a Delaware corporation, located at 200 Park Avenue, New York, New York, 10166 ("Mitsui"), for the purpose of satisfying the requirements of recordation with the United States Department of Transportation Surface Transportation Board under 49 USC §11301 and with the Registrar General pursuant to Section 90 of the Railway Act of Canada. Compass and Mitsui have entered in the Agreement, which grants to Mitsui a security interest in the railroad freight cars, more fully described in Exhibit A hereto, to secure the obligations of Compass under the Agreement.

IN WITNESS WHEREOF, Compass and Mitsui have caused this Memorandum to be duly executed all as of the date first above written, and the undersigned hereby declare pursuant to 28 U.S.C. Section 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below their signatures.

COMPASS RAIL II,
a California corporation

MITSUI LEASING (U.S.A.), INC.,
a Delaware corporation

By: 

By: _____

Title: President

Title: _____

Date: November 6, 1996

Date: _____

**MEMORANDUM
OF
RESIDUAL SHARING
AND
SECURITY AGREEMENT**

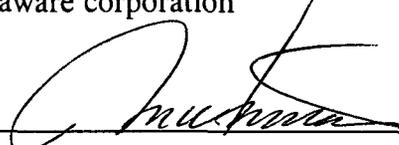
THIS MEMORANDUM OF RESIDUAL SHARING AND SECURITY AGREEMENT is intended to evidence the Residual Sharing and Security Agreement dated as of November 1, 1996 (the "Agreement"), between COMPASS RAIL II, a California corporation, located at 555 California Street, San Francisco, California 94104 ("Compass"), and MITSUI LEASING (U.S.A.), INC., a Delaware corporation, located at 200 Park Avenue, New York, New York, 10166 ("Mitsui"), for the purpose of satisfying the requirements of recordation with the United States Department of Transportation Surface Transportation Board under 49 USC §11301 and with the Registrar General pursuant to Section 90 of the Railway Act of Canada. Compass and Mitsui have entered in the Agreement, which grants to Mitsui a security interest in the railroad freight cars, more fully described in Exhibit A hereto, to secure the obligations of Compass under the Agreement.

IN WITNESS WHEREOF, Compass and Mitsui have caused this Memorandum to be duly executed all as of the date first above written, and the undersigned hereby declare pursuant to 28 U.S.C. Section 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below their signatures.

COMPASS RAIL II,
a California corporation

MITSUI LEASING (U.S.A.), INC.,
a Delaware corporation

By: _____

By:  _____

Title: _____

Title: PRESIDENT _____

Date: _____

Date: 11/7/96 _____

STATE OF California)
COUNTY OF San Francisco) ss:

Stephen C. Bieneman On this 6th day of November, 1996, before me personally appeared _____, to me personally known, who being by me duly sworn says that such person is the President of COMPASS RAIL II, that the foregoing Memorandum of Residual Sharing and Security Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Laura Miyoko Kawashima
Notary Public



LAURA MIYOKO
KAWASHIMA
Comm #1018099
NOTARY PUBLIC - CALIFORNIA
City & County of San Francisco
Comm Expires Feb 21, 1998

STATE OF _____)
COUNTY OF _____) ss:

On this _____ day of _____, 1996, before me personally appeared _____, to me personally known, who being by me duly sworn says that such person is _____ President of MITSUI LEASING (U.S.A.), INC., that the foregoing Memorandum of Residual Sharing and Security Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

STATE OF _____)
) ss:
COUNTY OF _____)

On this _____ day of _____, 1996, before me personally appeared _____, to me personally known, who being by me duly sworn says that such person is _____ President of COMPASS RAIL II, that the foregoing Memorandum of Residual Sharing and Security Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

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

On this 7th day of NOVEMBER, 1996, before me personally appeared MR. MASATO USUMI, to me personally known, who being by me duly sworn says that such person is _____ President of MITSUI LEASING (U.S.A), INC., that the foregoing Memorandum of Residual Sharing and Security Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation

Notary Public

ROGER ALEXANDER
Notary Public, State of New York
No. 4836710
Qualified in Nassau County
Certificate Filed in New York County
Commission Expires 10/31/97



EXHIBIT A

EQUIPMENT

<u>NUMBER OF UNITS</u>		<u>CAR NUMBERS</u>		
72 Series 1100	BAR	1106	1178	1229
flatcars (built 1964)		1107	1179	1234
(convertible to log cars)		1108	1182	1235
		1109	1185	1237
		1110	1187	1238
		1116	1188	1239
		1120	1189	1240
		1121	1191	1243
		1123	1192	1247
		1124	1193	1248
		1128	1194	1249
		1130	1195	1252
		1131	1197	1253
		1143	1198	1255
		1144	1199	1256
		1147	1201	1257
		1151	1203	1259
		1153	1205	1261
		1156	1206	1263
		1158	1209	1264
		1165	1216	1266
		1169	1217	1267
		1172	1218	
		1173	1224	
		1176	1226	

