

HOGAN & HARTSON

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555 THIRTEENTH STREET NW
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202/637-5600

WRITER'S DIRECT DIAL NUMBER
202/637-5705

16769-10
RECORDATION NO _____ FILED 1425

FEB 20 1990 -12 05 PM
INTERSTATE COMMERCE COMMISSION

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703/848-2600

16769-A
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INTERSTATE COMMERCE COMMISSION

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February 20, 1990

16769-B
RECORDATION NO _____ FILED 1425

16769-A
RECORDATION NO _____ FILED 1425
FEB 20 1990 -12 05 PM
INTERSTATE COMMERCE COMMISSION

By Hand Delivery FEB 20 1990 -12 05 PM

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
12th & Constitution Avenue, N.W.
Washington, D.C. 20423
ATTN: Mrs. Mildred Lee

INTERSTATE COMMERCE COMMISSION 0-051A005

16769
RECORDATION NO _____ FILED 1425

FEB 20 1990 -12 05 PM

INTERSTATE COMMERCE COMMISSION

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are one original executed copy and two photostatic copies of the following documents:

1. The Bill of Sale, dated December 15, 1989 between Pacific Rail Leasing Corporation, as Purchaser, and Sanwa Bank California, as Trustee.

A description of the railroad equipment covered by the enclosed document is set forth in Annex A-1 to the Bill of Sale.

2. The Bill of Sale, dated as of February 15, 1990 between Pacific Rail Leasing Corporation, as Purchaser, and D.E. Mundell and ~~Ben Maushardt~~, as Trustees, Transferor.

A description of the railroad equipment covered by the enclosed document is set forth in Annex A-1 to the Bill of Sale.

3. The Bill of Sale, dated as of February 15, 1990 between PAC Rail, Buyer, and Pacific Rail Leasing Corporation, as Seller.

A description of the railroad equipment covered by the enclosed document is set forth in Annex A-1 to the Bill of Sale.

Handwritten signature: Mildred Lee

HOGAN & HARTSON

Ms. Noreta R. McGee
February 20, 1990
Page 2

4. The Full Cost Loan Pool Agreement, dated as of November 8, 1989 between PAC Rail, as Borrower; Pacific Rail Leasing Corporation, as Guarantor; and Concord Asset Management, Inc., as Lender.

A description of the railroad equipment covered by the enclosed document is set forth in Exhibit A of the Security Agreement.

5. The Security Agreement, dated as of February 15, 1990 between PAC Rail, as Borrower, and Concord Asset Management, Inc, as Secured Party.

A description of the railroad equipment covered by the enclosed document is set forth in Exhibit A of the Security Agreement.

6. The Railroad Equipment Lease (Counterpart Nos. 2 and 3), dated as of January 5, 1990, between PAC Rail, as Lessor, and Consolidated Rail Corporation, as Lessee.

A description of the railroad equipment covered by the enclosed document is set forth in Exhibit A of the Security Agreement.

Also enclosed is a check in the amount of \$15.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return a stamped executed copy of the enclosed document and a stamped photostatic copy of this letter to Ann E. Flowers, Hogan & Hartson, Columbia Square, 555 13th Street, N.W., Washington, D.C. 20004.

The names and addresses of the aforementioned parties to the enclosed documents are:

Pacific Rail Leasing Corporation/
PAC Rail
Two Embarcadero Center
Suite 1650
San Francisco, CA 94111

Concord Asset Management, Inc.
One Norwalk West
40 Richards Avenue
Norwalk, CT 06856

Consolidated Rail Corporation
1334 Six Penn Center Plaza
Philadelphia, PA 19103

HOGAN & HARTSON

Ms. Noreta R. McGee
February 20, 1990
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D.E. Mundell and Ben Maushardt, Trustees
c/o United States Leasing International, Inc.
615 Battery Street
San Francisco, CA 94111

Sanwa Bank California
612 S. Flower Street
Los Angeles, CA 90017

Please feel free to contact me with any questions which
you may have concerning the above.

Sincerely,



Ann E. Flowers

Enclosure

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16769
RECORDATION NO _____ FILED 1425

(Pac Rail)
(Equipment)
(Full Cost)

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INTERSTATE COMMERCE COMMISSION

FULL COST LOAN POOL AGREEMENT

DATED: November 8, 1989

LOAN POOL AGREEMENT

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II. EXHIBITS

- Exhibit A - Security Agreement
- Exhibit B - Note
- Exhibit C - Guarantee
- Exhibit D - Consent and Agreement

FULL COST LOAN POOL AGREEMENT

Full Cost Loan Pool Agreement dated November 8, 1989 by and among PAC RAIL, a California corporation, having its principal place of business at Two Embarcadero Center, Suite 1650, San Francisco, CA 94111 ("Borrower"), PACIFIC RAIL LEASING CORPORATION, a California corporation, having its principal place of business at Two Embarcadero Center, Suite 1670, San Francisco, California 94111 ("Guarantor"), and CONCORD ASSET MANAGEMENT, INC. ("Lender"), a New York corporation having an office at One Norwalk West, 40 Richards Avenue, Norwalk, CT 06856.

INTRODUCTION

I. Borrower intends from time to time to acquire various kinds of equipment either leased or to be leased by Borrower to one or more end users pursuant to equipment leases either acquired by or entered into by Borrower, as lessor.

II. Borrower has requested Lender to lend to Borrower an amount sufficient to enable Borrower to purchase the equipment and, if applicable, the lease thereof. Lender has agreed, upon certain terms and conditions, to make such loans to Borrower.

III. To provide the terms and conditions upon which Lender will make the Loans to Borrower, Lender, Borrower and Guarantor have entered into this Full Cost Loan Pool Agreement ("Agreement").

SECTION 1. LOAN TERMS.

(a) The Loans. Upon the terms and subject to the conditions of this Agreement, Lender agrees to make loans to Borrower from time to time prior to December 31, 1991 (individually, a "Loan", and collectively, the "Loans") not to exceed in the aggregate \$20,000,000. Each Loan shall be in an amount not greater than 102% of the actual cost of the Equipment (hereinafter defined) paid or payable by Borrower, inclusive of all fees or commissions to third parties, transportation costs and similar expenses actually incurred by Borrower in respect thereof, as to which a Loan is made.

(b) Use of Proceeds; Certain Security. Borrower will apply the proceeds of each Loan to payment of the purchase price of the item or items of railcars, locomotives, rail intermodal transportation and other related equipment ("Equipment") for which such Loan is requested. Such Equipment will be subject to one or more leases (each a "Lease") either acquired by Borrower or entered into by Borrower with the lessee of such Equipment ("Lessee"). Borrower has entered into that certain Security Agreement of even date, in the form annexed hereto as Exhibit A ("Security Agreement"). As security for each Loan to be made pursuant hereto and comprising the Loan Pool (hereinafter defined), pursuant to the Security Agreement Borrower will (i) assign to Lender Borrower's rights under the Lease and (ii) create in favor of Lender a first priority perfected security interest in the Equipment and each Lease. The aggregate security given Lender by Borrower in respect

of all Loans under the Loan Documents (hereinafter defined), including the Security Agreement and Guarantee (hereinafter defined), is hereinafter referred to as the "Collateral."

(c) The Notes. Each Loan shall be evidenced by a guaranteed secured promissory note in the aggregate principal amount of such Loan ("Note"), dated the date of its issuance ("Takedown Date") and payable to the order of Lender, in substantially the form annexed hereto as Exhibit B. Each Note and the Loan evidenced thereby shall be secured and shall be repaid in accordance with its terms and the terms of this Agreement.

(d) Limited Guarantee. Guarantor has executed and delivered to Lender a limited guarantee of Borrower's obligations hereunder, a copy of which guarantee is annexed hereto as Exhibit C ("Guarantee").

(e) Loan Pool. The aggregate of all Loans outstanding at any time ("Loan Pool") shall constitute the single obligation of Borrower and notwithstanding that interest on and principal of any given Note therein may have been paid in full, all remaining Notes shall continue to be secured by the Collateral.

(f) Other Loan Pools. At the election of Lender, which may be made at any time and for any reason ("Other Loan Pool Election"), the aggregate of all Loans made by Lender to Borrower or any person controlling, controlled by or under common control with Borrower pursuant to one or more agreements similar to this Agreement ("Other Loan Pool Agreement") as to which such Other Loan

Pool Election is made ("Other Loan Pools") together with the Loan Pool, shall constitute the single obligation of Borrower, and notwithstanding that interest on and principal of any Other Loan Pool may have been or thereafter be paid in full, all the remaining Notes and Other Loan Pools shall be secured by all collateral and guarantees (including the Collateral) given by Borrower and Guarantor to Lender in respect of the Loan Pool and Other Loan Pools ("Other Loan Pool Collateral"). In the event Lender makes an Other Loan Pool Election, the term Loan Pool shall include all other Loan Pools as to which Lender makes such Other Loan Pool Election.

SECTION 2. INTEREST. The aggregate unpaid principal amount of each Note shall bear interest from the Takedown Date of each Note until the Note is paid in full at a rate per annum ("Effective Rate") equal to the sum of (a) the Prime Rate (hereinafter defined) and (b) 2.5%; provided, however, Borrower shall have the option, exercisable at any time and from time to time, on not less than ten (10) days prior written notice to Lender, to elect to fix the rate of interest applicable to one or more Notes theretofore issued by Borrower (provided the then remaining unpaid principal amount of such Notes shall not be less than \$3,000,000) at the Effective Rate determined on the next Installment Payment Date (hereinafter defined) following the date of such notice, and thereafter all such Notes shall bear interest at the Effective Rate. Interest shall be payable on each Installment Payment Date. "Prime Rate" means the prime rate of interest announced by Marine

Midland Bank, New York, New York, in effect on the Closing Date for the period through the end of the calendar month in which the Takedown Date occurs and in effect on the first day of each calendar month thereafter (each such first day an "Installment Date") for payments received during such calendar month until the Loan Pool is paid in full; provided, nothing contained herein, or in the Note shall be deemed to require the payment of interest in excess of the maximum rate permitted by law, and in the event interest payable hereunder or under the Notes shall exceed such maximum rate, such interest shall be automatically reduced to the maximum rate permitted by law.

SECTION 3. CONDITIONS PRECEDENT. Lender's obligation to make each Loan shall be subject to the accuracy of the representations and warranties of Borrower contained herein as of each Takedown Date, and to the satisfaction of the following further conditions:

(a) Equipment. The Equipment which Borrower proposes to purchase with the proceeds of each such Loan shall have been approved by Lender, and no prior approval of similar or identical equipment shall be deemed to constitute approval for any subsequent financing.

(b) Lessee. The proposed lessee of such Equipment shall be acceptable to by Lender.

(c) Lease. The form and content of the Lease shall have been approved by Lender.

(d) Compliance. No breach or an Event of Default (hereinafter defined) shall have occurred and be continuing under this Agreement, any Note, the Security Agreement, any Lease ("Lease Default") or any other documents executed and delivered by Borrower to Lender in connection herewith or any Loan (collectively "Loan Documents").

(e) Inspection. Lender shall have been afforded the opportunity, at Lender's expense, to inspect all Equipment which Borrower proposes to purchase with the proceeds of any Loan.

(f) Consent and Agreement. Lender shall have received a consent and agreement of Lessee, dated as of the Closing Date, in substantially the form set forth as Exhibit D hereto ("Consent and Agreement");

(g) Lease Counterpart; Legend. Lender shall have been presented with all executed counterparts of the Lease. Lender shall retain Counterpart No. 1 of the Lease and there shall have been noted upon each other counterpart.

(h) Financing Statements; Recordings. All necessary financing statements under the Uniform Commercial Code in connection with the Security Agreement shall have been duly filed and recorded in the appropriate public offices in which such filing and recording is necessary to publish notice to create, perfect or protect the validity and effectiveness of Lender's security interest in the Collateral, including the assignment to Lender of rentals under the Lease and Lender's security interest in the Equipment, and all

taxes, fees and other charges in connection therewith shall have been paid, or arrangements satisfactory to Lender shall have been made for such filing and payment;

(i) Other Documents. All instruments and certificates relating to the Loan Documents, and all proceedings in connection therewith, shall be satisfactory in form and substance to Lender, and Lender shall have received copies of all such instruments, certificates, opinions of counsel and other evidence as Lender may request with respect to such transactions and the taking of all corporate proceedings in connection therewith, all in form and substance reasonably satisfactory to Lender.

SECTION 4. PAYMENT OF THE LOAN POOL.

(a) Installment Payments. So long as there shall be unpaid any interest on or principal of any Note, on the first day of each month (an "Installment Payment Date"), commencing the Installment Payment Date next following the month in which the first Loan hereunder ("Initial Loan") is made ("Initial Installment Date"), Borrower shall pay to Lender the greater of (i) all accrued but unpaid interest on all Loans ("Applicable Sum") or (ii) ninety-eight percent (98%) of all monthly rental payments received ("Total Monthly Receipts") by Lender from Lessees during the thirty (30) day period immediately preceding such Installment Payment Date ("Received Sum"). Such payment shall be applied first to the payment of interest accrued in respect of the Loan Pool to such Installment Payment Date and thereafter to unpaid principal of the

Loan Pool, allocated among Notes then comprising the Loan Pool as Lender, in its sole and absolute discretion, shall determine. So long as no Event of Default shall have occurred the excess, if any ("Administration Fee"), of the Total Monthly Receipts over the greater of the Received Sum and the Applicable Sum shall be returned by Lender to Borrower as a fee for administering the Lease. Borrower shall not be entitled to an Administration Fee in respect of any Proceeds (hereinafter defined) or Residual Proceeds (hereinafter defined).

(b) Prepayment. In the event any item of Equipment is sold or is subject to a casualty loss, all proceeds received in respect thereof ("Proceeds"), whether from insurance or otherwise, on the date such payments are received ("Payment Receipt Date") shall be applied as follows:

(i) First to pay any reasonable, out of pocket, bona fide third party costs, actually incurred by Borrower, including brokerage fees and commissions approved by Lender (which approval shall not be unreasonably withheld or delayed);

(ii) Next to pay interest due to the Payment Receipt Date in respect of the Note issued by Borrower to fund purchase of the item of Equipment sold or in respect of which Proceeds are otherwise received ("Subject Note");

(iii) Next to prepayment of the then outstanding principal of the Subject Note;

(iv) Next to either or both of (A) the payment of interest due to the Payment Receipt Date on all other Notes comprising the Loan Pool or (B) the prepayment of the then outstanding principal of the Loan Pool, in either case in such proportions as the Lender, in its sole and absolute discretion, shall determine;

(v) Next as provided in Section 5(b) hereof.

(c) Maturity. All Notes shall mature on December 31, 2001 ("Maturity Date") and, subject to prepayment required hereunder, on the Maturity Date Borrower shall pay the then accrued interest on and outstanding principal of all Notes. Except as expressly provided herein, no Note may be prepaid.

(d) Lease Proceeds. Borrower shall cause each Lessee to remit all amounts payable thereunder directly to Lender or as Lender shall designate. Such payments shall be applied by Lender to the payment, when due, of the Notes and all other monies required to be paid to Lender pursuant to this Agreement. To the extent Lender permits Borrower to collect amounts payable under any Lease, Borrower shall hold in trust for and shall remit to Lender within five (5) days after receipt thereof by Borrower all such amounts received or collected by Borrower to the extent they are required to be paid to Lender pursuant to this Agreement. Borrower shall provide Lender with such reports and accountings with respect thereto as Lender shall reasonably request.

SECTION 5. REMARKETING AND RESIDUAL SHARING.

(a) Remarketing. Each of Borrower and Guarantor covenants and agrees that, on the expiration or other termination of each Lease, Borrower and Guarantor will use their best efforts, consistent with then current market conditions, to remarket the Equipment on Lender's and Borrower's behalf in accordance with the provisions hereof ("Remarketing Obligation"). In the event Borrower and Guarantor fail to comply with the Remarketing Obligation, and do not cure such failure within thirty (30) days after receipt from Lender of written notice thereof, Lender may assume (but without liability to Borrower or Guarantor in respect thereof) the Remarketing Obligation and in respect of such item of Equipment Borrower shall not thereafter be entitled to any Residual Proceeds as provided in paragraph (b) of this Section 5.

(b) Residual Proceeds. Except as otherwise provided in this Agreement or by any other agreement between Lender and Borrower, and after payment of any reasonable out-of-pocket bona fide third party costs actually incurred by Borrower, including brokerage fees and commissions approved by Lender (which approval shall not be unreasonably withheld or delayed) and after repayment of all interest on and principal of all Loans comprising the Loan Pool, out of Residual Proceeds (hereinafter defined): (i) first Guarantor shall be entitled to reimbursement for any payments made by Guarantor pursuant to the Guarantee, (ii) next Lender shall be entitled to 50%, which amount Borrower shall remit to Lender

immediately upon Borrower's receipt thereof, and (iii) Borrower shall retain the balance ("Borrower's Residual Share"). The term "Residual Proceeds" means all gross proceeds derived from the sale, lease or other disposition of the Equipment received by Borrower. The share of Residual Proceeds to which Lender is entitled under this Section 5(b) is to be considered an additional fee due Lender for Lender's agreement to make Loans and to monitor receipt of rental and other payments due under Leases.

(c) Sale of Equipment; Subsequent Lease. Without the prior written consent of Lender or except as provided in a Lease, Borrower shall not sell or enter into any lease ("Subsequent Lease") in respect of an item of Equipment; provided, however, (i) in the event Borrower shall receive a bona-fide offer (A) for Borrower to sell or (B) for a Subsequent Lease to a proposed lessee acceptable to Lender (which such proposed lessee may be rejected by Lender for any reason whatsoever) of Equipment subject to a Security Agreement, which offer Borrower desires to accept, and (ii) net proceeds to Borrower from the sale price of such proposed sale or present value of the firm term rental stream of such proposed Subsequent Lease (discounted over the firm term thereof at the Effective Rate applicable to the Note issued in connection with Borrower's acquisition of such Equipment ("Subject Note"), shall be equal to or greater than the then unpaid interest on and principal of such Subsequent Note, and if within thirty (30) days after the date Lender receives from Borrower a notice setting forth in detail the

terms of such proposed lease or sale Lender shall not consent thereto, then from and after such thirtieth (30th) day ("Lender Rejection Date") Borrower shall not be required to pay interest monthly as provided in Section 2 hereof; and unpaid interest, if any, then accrued on such Note and interest thereafter accruing thereon shall be paid only from Residual Proceeds. Borrower shall, however, remain obligated to pay in full as provided herein and therein the full principal amount of such Note.

SECTION 6. REPRESENTATIONS AND WARRANTIES. Each of Borrower and Guarantor jointly and severally represent and warrant to Lender:

(a) Corporate Existence, Power and Authority. Each of Borrower and Guarantor is a corporation organized and in good standing under the laws of the State of California, and Borrower is a wholly-owned subsidiary of Guarantor. Each of Borrower and Guarantor is qualified and in good standing or will promptly apply for such qualification, and is and at all times will be authorized to do business in each jurisdiction in which the character of its property or the nature of its business requires such qualification or authorization or in which such qualification is necessary to protect the validity and enforceability of this Agreement, the Note, the Security Agreement, the Guaranty and each other Loan Document delivered in connection herewith and therewith. None of the terms or conditions of any Loan Document nor the execution, delivery and performance thereof by Borrower or Guarantor is or will be in

violation of or in conflict with or an event of default under any provision of law or Borrower's or Guarantor's Articles of Incorporation or By-Laws, or of any indenture, agreement or other instrument to which Borrower or Guarantor is a party or by which it is bound. Each of Borrower and Guarantor has the requisite power and authority to execute, deliver and perform the Loan Documents to which it is a party. All action necessary for the authorization, execution, delivery and performance by Borrower and Guarantor of the Loan Documents to which it is a party have been duly executed by Borrower and Guarantor and constitute legal, valid and binding obligations of Borrower and Guarantor enforceable in accordance with their respective terms.

(b) Financial Statements. Guarantor has furnished to Lender its audited balance sheet as of the end of its most recent fiscal year and the related audited statements of income, retained earnings and changes in financial position for such year. During the Term (hereinafter defined) each of Borrower and Guarantor will furnish to Lender (A) within one hundred twenty (120) days after the close of each of its fiscal years, its audited balance sheet as of the end of such fiscal year and the related audited statements of income, retained earnings and changes in financial position for the fiscal year then ended; (B) if requested by Lender, within 45 days after the end of each fiscal quarter, Borrower's and Guarantor's balance sheet as of the end of such quarter and the related statement of income, retained earnings and changes in financial

position for the quarter and for the cumulative fiscal period then ended, which shall be certified by the president or chief financial officer of Borrower and Guarantor, respectively, to be, in his opinion, complete and correct and to present fairly, in accordance with generally accepted accounting principles consistently applied throughout the period involved, the financial position of Borrower and Guarantor, respectively, as at the end of such period and the results of operations for the elapsed portion of the fiscal year ended with the last day of such period, in each case on the basis presented and subject only to normal year-end auditing adjustments; and (C) promptly from time to time, on request, such other information concerning the business, condition and affairs of the Borrower and Guarantor as Lender shall reasonably request. The financial statements provided Lender pursuant to clauses (A) and (B) hereof shall if requested by Lender, in each case, be accompanied by cash flow statements, prepared in reasonable detail and certified by the president or chief financial officer of the appropriate of Borrower or Guarantor, to be, in his opinion, complete and correct and to present fairly such cash flow for the period covered.

(c) Litigation. Except as provided in Schedule 6(c) hereto, there are, and at the Closing Date there will be, (i) no material proceedings by or before any public or governmental body, agency or authority involving Borrower or Guarantor, (ii) no litigation, pending or threatened, against Borrower known to Borrower and (iii) no material litigation pending or threatened against Guarantor known to Guarantor.

(d) Indebtedness and Liens. Except for indebtedness under this Agreement, there is outstanding no indebtedness of Borrower except as permitted under any Loan Document. None of the Borrower's assets or properties is subject to any lien other than liens created or permitted under Loan Documents in respect of the Loan Pool.

(e) Event of Default. No event has occurred which constitutes, or which with notice or the passing of time or both would constitute an Event of Default.

(f) Capitalization. The authorized capital stock of Borrower consists of 100,000 shares of common stock, no par value ("Common Stock"). The authorized capital stock of Guarantor consists of 100,000 shares of common stock, no par value and 100,000 shares of preferred stock, no par value ("Guarantor Stock"). The number of shares of Common Stock and Guarantor Stock outstanding as of the date hereof and the number of such shares issuable upon exercise of stock options or warrants or issuable as employment performance compensation are as disclosed in Schedule 5(f) annexed hereto. Except as therein disclosed, there are no shares of Guarantor Stock issuable upon conversion of any security of Borrower or Guarantor, there are no rights or warrants outstanding to purchase shares of Guarantor Stock and no person has, contractually or otherwise, any right to acquire Guarantor Stock or any security convertible into Guarantor Stock. There are no pre-emptive rights.

(g) Corporate Proceedings, etc. Each of Borrower and Guarantor has taken all corporate action necessary to authorize the

execution and delivery of this Agreement and the other Loan Documents, and the performance by Borrower and Guarantor of all obligations on its part to be performed hereunder and thereunder.

(h) Absence of Defaults. The issuance of each Note and the execution and delivery of the other Loan Documents and the fulfillment of the terms thereof by Borrower will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness, or other agreement, or the Articles of Incorporation or By-Laws of Borrower or Guarantor as presently in effect, or any order, writ, injunction, rule or regulation of any court or Federal, state, county, municipal or other regulatory board or body or administrative agency having jurisdiction over Borrower or Guarantor or over its property or business. No event has occurred and no condition exists which, upon the issuance of any Note, or the passing of time, would constitute a default or an event of default under any agreement, other instrument or understanding to which Borrower or Guarantor is a party or by which it may be bound. Neither Borrower nor Guarantor is in violation of any term of any agreement, charter, instrument, by-law, other instrument or understanding to which it is a party or by which it may be bound which might materially affect adversely the property, business, prospects, profits or condition (financial or otherwise) of Borrower or Guarantor.

(i) Consents. None of the corporate structure of Borrower or Guarantor, of its business or property, any relationship between it and any other person, or any circumstance in connection with the creation, authorization, issuance, offer or sale of any Note is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of Borrower or Guarantor, or the vote, consent or approval in any manner of the holders of any security of Borrower and Guarantor, as a condition to the execution and delivery of this Agreement or the creation, authorization, issuance, offer and sale of such Note.

(j) Taxes.

(i) All tax returns required to be filed by each of Borrower and Guarantor in any jurisdiction have in fact been filed, and all taxes, assessments, fees and other governmental charges upon Borrower or upon its property, income or franchises, which are due and payable have been paid (except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided). All tax liabilities of Borrower and Guarantor are adequately provided for and neither Borrower nor Guarantor knows of any proposed additional tax assessment against it.

(ii) The provision for taxes on the books of each of Borrower and Guarantor is adequate for the current fiscal period. The amount of the reserve for income taxes reflected in the balance sheets of each of Borrower and Guarantor is an adequate provision

for such income taxes, if any, as may be payable by Borrower or Guarantor in respect of the current fiscal year of Borrower and Guarantor and for all prior periods:

(k) Compliance with Law. Neither Borrower nor Guarantor:

(i) is materially in violation of any laws, ordinances, governmental rules or regulations to which it is subject; or

(ii) has failed to obtain, or apply for and diligently pursue, any license, permits, franchises or other governmental authorizations necessary to the ownership of its property or to the conduct of its business, which violation or failure to obtain might materially affect adversely the property, business, prospects, profits or condition (financial or otherwise) of Borrower or Guarantor, nor has Borrower or Guarantor been denied any application for any such licenses, permits, franchise or other governmental authorizations.

(l) Material Agreements. Except as listed in Schedule 5(1) annexed hereto, neither Borrower nor Guarantor is a party to any written or oral contract, license, lease or other agreement, other than leases, not cancellable within 90 days. Without limiting the generality of the foregoing, other than as described in Schedule 5(1), neither Borrower nor Guarantor is a party to (i) any employment or management contract, (ii) any purchase commitments not made in the ordinary course of business for capital expenditures, or as lessee to long term leases (other than Leases) involving in the aggregate amounts payable annually in excess of \$50,000, or (iii)

any license arrangements. Neither Borrower nor Guarantor has received notice that any party to any of the agreements to which it is a party intends to cancel or terminate any such agreement, whether as a result of this Agreement or otherwise; no conditions now exist which, upon notice or lapse of time or both would permit any such party to cancel or terminate any such agreement. True and complete copies of the agreements listed in Schedule 5(1), reflecting all amendments to date, have heretofore been furnished to Lender or in the case of any such agreement to which any other party to such agreement objects to the disclosure of such agreement to Lender ("Confidential Agreement"), then an accurate summary of such agreement shall have heretofore been furnished to Lender.

(m) Restrictions on Borrower and Guarantor.

(i) Neither Borrower nor Guarantor is a party to any contract, agreement, instrument or understanding or subject to any charge or other corporate restriction, which materially and adversely affects the property, business, prospects, profits, operations or assets or condition (financial or otherwise) of either Borrower or Guarantor; and

(ii) Except as provided in agreements specifically referenced herein or in an Exhibit or Schedule hereto, there are no limitations in any indenture, mortgage, deed of trust or other agreement or instrument to which Borrower or Guarantor is a party or by which Borrower or Guarantor is bound with respect to the payment of interest or principal on any Note nor any provision which, by

requiring the maintenance of specified amounts of net current assets, ratios of current assets to liabilities, ratios of equity or surplus to debt, or otherwise, directly or indirectly has the effect of such a limitation.

(n) ERISA. Neither Borrower nor Guarantor has an employee pension benefit plan as such term is defined in Section 3(3) of ERISA.

(o) Full Disclosure. Neither this Agreement (including the Exhibits and Schedules hereto) nor any other written statement furnished by Borrower or Guarantor to Lender in connection with the negotiation of the Loan, contains any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading.

(p) Relationship between Borrower and Guarantor. Borrower is a wholly-owned subsidiary of Guarantor and will continue to be so throughout the term of this agreement.

SECTION 7. AFFIRMATIVE COVENANTS. Unless Lender otherwise consents in writing, each of Borrower and Guarantor covenants and agrees that from the date hereof until all obligations of Borrower to Lender under the Loan Documents have been discharged ("Term"), at all times:

(a) Maintain Business. Each of Borrower and Guarantor will conduct and carry on its business substantially as such business is now and has heretofore been conducted and Borrower will not engage in any transactions or engage in any business other than pursuant to the Loan Documents or as contemplated thereby.

(b) Maintenance of Properties. Each of Borrower and Guarantor will maintain, preserve and keep its properties in good repair, working order and condition.

(c) Maintain Corporate Existence; Compliance with Applicable Law. (i) Each of Borrower and Guarantor will maintain its corporate existence and comply with all provisions of applicable law; and (ii) at all times Borrower will be a wholly-owned subsidiary of Guarantor.

(d) Examination of Books. Borrower will permit Lender's representatives, upon reasonable notice at any reasonable time and from time to time, to examine Borrower's books and records and to make extracts therefrom, and deliver to Lender, or to such persons as Lender may direct, copies of all books, records, documents and information in any way related to Borrower's performance hereunder and, if any of the information requested by Lender is not in document form, provide any such information in writing.

(e) Pay Taxes. Each of Borrower and Guarantor will file all required returns in respect of and pay all federal, state, city and local income, franchise or other taxes, or other governmental assessments which may be payable by Borrower and Guarantor, as the case may be.

(f) Use of Proceeds. Borrower will use the proceeds of each Loan solely as stated in Section 1.

(g) Right of First Refusal. Prior to signing a purchase commitment or a lease with respect thereto, Borrower shall offer

Lender the option (but Lender shall not have the obligation) to finance pursuant to the terms hereof Borrower's purchase of additional equipment used in conjunction with or relating to the Equipment ("Additional Equipment"), whether or not such Additional Equipment forms a part of the Equipment pursuant to the terms of this Loan Agreement. In all instances, Lender, within five (5) business days of Lender's receipt of such commitment and all other information related to such purchase commitment as Lender shall reasonably request, will advise Borrower of whether Lender elects to finance such Additional Equipment.

(h) Performance of Obligations. Each of Borrower and Guarantor will punctually perform and observe all of its obligations and agreements contained in each Loan Document, including, upon the occurrence of an Event of Default thereunder or breach thereof, all obligations of the lessee under each Lease (other than the obligation of such lessee to pay rent). After obtaining actual knowledge thereof, Borrower will promptly notify Lender of any default under any other Loan Document (including any Lease).

SECTION 8. NEGATIVE COVENANTS. Unless Lender otherwise consents in writing, Borrower covenants and agrees during the Term:

(a) Merger. Borrower will not merge or consolidate with any other corporation or other entity.

(b) Sale of Stock. Borrower shall not issue, sell or permit to be sold any capital stock of Borrower.

(c) Sale of Assets. Borrower shall not sell or permit to be sold any assets of Borrower except in the ordinary course of business.

(d) Capital Expenditures. Borrower shall not make any expenditures or commitments for fixed or capital assets except as expressly provided herein and except in the ordinary course of business and directly related to the Equipment.

(e) Dividends. Borrower shall not pay any dividends to any of its shareholders; provided, however, so long as no Event of Default shall have occurred and be continuing (i) until the interest and principal of all Notes comprising the Loan Pool ("Loan Pool Repayment Date") shall have been paid in full, Borrower may pay to Guarantor amounts actually retained by Borrower as the Administration Fee, and (ii) from and after the Loan Pool Repayment Date, Borrower may declare dividends not in excess of Borrower's Residual Share.

(f) Other Agreements. Borrower may not enter into any agreements except in the ordinary course of business.

(g) Debt. Borrower shall not incur or become obligated for any debt ("Debt") except (i) under the Loan Documents ("Loan Pool Debt") or (ii) in the ordinary course of business; provided, however, no Debt other than Loan Pool Debt shall be secured and no Debt shall be senior in right to the Lien (as that term is defined in the Security Agreement).

(h) No Other Business. Borrower shall conduct no business other than that of purchasing, selling and leasing the Equipment.

SECTION 9. EVENTS OF DEFAULT. The term "Event of Default" shall have the meaning ascribed thereto in the Security Agreement.

whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court of any order, rule or regulation of any governmental body.

SECTION 10. REMEDIES. Upon the occurrence of an Event of Default, in addition to all remedies provided in the Loan Documents:

(a) Acceleration. Lender may, upon written notice to Borrower, declare the principal of and interest on the entire Loan Pool and all other amounts payable under the Loan Documents to be forthwith due and payable without presentation, demand, protest or other notice of any kind, all of which are expressly waived;

(b) Remedy of Default. Without waiving any rights hereunder or in any other Loan Document, Lender may remedy or attempt to remedy in any reasonable manner any Event of Default hereunder or any default under any other Loan Document (collectively "Default") whether hereunder or under any Loan Document, without waiving the Default so remedied or attempted to be remedied or any other prior or subsequent Default.

SECTION 11. FURTHER ASSURANCES. Borrower shall do, make, procure, execute and deliver to Lender all acts, writings and assurances as Lender may reasonably require to perfect, protect, assure, enforce and evidence Lender's interests, rights or remedies, heretofore or hereafter created by, provided in, or emanating from the Loan Documents or in respect of the Equipment, or any other documents executed in connection with the Loans or Loan Documents.

SECTION 12. INDEMNIFICATION. Borrower and Guarantor hereby jointly and severally agree to indemnify and hold harmless Lender, its successors, assigns, agents and servants, from and against any and all liabilities, obligations, penalties, actions, suits, losses, damages, injuries, claims, demands and expenses, including reasonable attorneys' fees and disbursements, arising out of (i) any act or omission of any party in performance or in breach of the Leases or any agreement pursuant to which the Equipment or any of it is leased or sold to any third party, (ii) the use, condition or operation of the Equipment or any of it, at any time, by whomsoever used or operated during the period when such Equipment is owned or leased by or under the control of Borrower, and (iii) the exercise by Lender of any of its rights under the Loan Documents in accordance with the terms thereof and with applicable law. Such obligations of Borrower and Guarantor shall continue in full force and effect notwithstanding the payment to Lender of principal of and interest on the Note and all other amounts payable to Lender under the Loan Documents. Lender shall give Borrower and Guarantor prompt notice of any matter as to which it intends to claim indemnity from Borrower or Guarantor pursuant to this Section 12.

SECTION 13. EXPENSES. Borrower will pay (i) all out-of-pocket expenses of Lender (including reasonable fees and disbursements of Lender's counsel) in connection with the preparation, execution, delivery and administration of this Loan Pool Agreement and the other Loan Documents and the transactions

contemplated hereunder and thereunder, (ii) all out-of-pocket expenses in connection with the presentation, execution and delivery of any waiver, amendment or consent by Lender relating to this Loan Pool Agreement and the other Loan Documents, including fees and disbursements of counsel for Lender and (iii) all costs of collection and of obtaining performance under or enforcing this Loan Pool Agreement and the other Loan Documents or any of them, which costs shall include counsel fees and expenses of each holder of the Notes

SECTION 14. NO WAIVER, REMEDIES CUMULATIVE. No failure or delay on the part of Lender in exercising any right under or in respect to the Loan Documents or otherwise shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any further or other exercise thereof or of any other right under or in respect of the Loan Documents or otherwise. The rights of Lender under or in respect of the Loan Documents shall be cumulative and not exclusive of any right of remedy Lender would otherwise have. Lender may in its discretion, by written notice to Borrower, waive any Default, and Lender and Borrower shall thereupon be restored to its respective former positions and rights hereunder and thereunder as such Default so waived had not occurred, but no such waiver shall operate as a waiver of any other Default, whether occurring prior to or subsequent to such waiver and, whether or not known to Lender.

SECTION 15. NOTICES. All notices, requests or demands to or upon either party shall be given in the manner provided in Section 7.1 of the Security Agreement.

SECTION 16. NEW YORK LAW. This Agreement shall be governed by and interpreted under the laws of the State of New York applicable to contracts made and to be performed therein, without giving effect to the principles thereof relating to the conflict of laws, in which jurisdiction this Agreement is made and is to be performed. Except in respect of an action commenced by a third party in another jurisdiction and provided clauses (ii) and (iii) herein are enforceable, Borrower, Guarantor and Lender (i) agree that any legal suit, action or proceeding arising out of or relating to this Agreement, at the election of Lender, may be instituted in a State or Federal Court in the State of New York, United States of America, (ii) waive any objection which they may now or hereafter have to the laying of the venue of any such suit, action or proceeding, and (iii) irrevocably submit to the jurisdiction of any such court in any such suit, action or proceeding. Each of Borrower and Guarantor hereby irrevocably designates Prentice Hall Corporation System, One Gulf + Western Plaza, New York, NY 10023-7773, as its agent for service of process in connection with any legal suit, action or proceeding arising out of this Term Loan Agreement and all other Loan Documents.

SECTION 17. SURVIVAL OF REPRESENTATIONS. All representations, warranties, covenants and agreements of Borrower herein contained or made in writing in connection with this Loan

Pool Agreement shall survive the execution and delivery of this Agreement and each Loan Document, shall continue in full force and effect until the principal of and interest on all Loans and all other amounts payable under this Agreement and the other Loan Documents have been paid in full, and shall bind and inure to the benefit of the respective successors and assigns of Lender and Borrower, including any holder of the Note.

SECTION 18. COMPLETE AGREEMENT. This Agreement together with the Loan Documents constitutes the complete agreement between the parties hereto and may be modified or amended only by a writing executed by all parties hereto or thereto.

SECTION 19. MISCELLANEOUS.

(a) Partial Invalidity. If any covenant or other provision of any Loan Document shall be invalid, illegal or incapable of enforcement by reason of any rule or law or public policy, all other covenants and provisions hereof and thereof shall nevertheless remain in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision.

(b) Lender Assignment. Lender may, at any time, assign and delegate all of its rights and duties hereunder or under any Loan Document, without notice to or consent of Borrower or Guarantor.

(c) Binding Effect. This Term Loan Agreement shall inure to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

(d) Section Headings. Section headings herein are for convenience of reference only and shall not be used to interpret or construe the meaning of this Loan Agreement.

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

PAC RAIL
("Borrower")

By: *Edward A. Garvey*

Name: Edward A. Garvey

Title: President

CONCORD ASSET MANAGEMENT, INC.
("Lender")

By: _____

Name: _____

Title: _____

PACIFIC RAIL LEASING CORPORATION
("Guarantor")

By: *Edward A. Garvey*

Name: Edward A. Garvey

Title: President

(d) Section Headings. Section headings herein are for convenience of reference only and shall not be used to interpret or construe the meaning of this Loan Agreement.

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

PAC RAIL
("Borrower")

By: _____
Name: _____
Title: _____

CONCORD ASSET MANAGEMENT, INC.
("Lender")

By: _____
Name: Peter R. Poole
Title: Vice President

PACIFIC RAIL LEASING CORPORATION
("Guarantor")

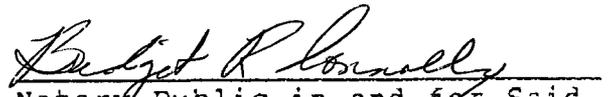
By: _____
Name: _____
Title: _____

6706C

STATE OF CONNECTICUT)
 ss.:
COUNTY OF FAIRFIELD)

On February 9, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared Peter R. Pocio, personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed this instrument as the Vice President of CONCORD ASSET MANAGEMENT, INC., or on behalf of the corporation therein named, and acknowledged to me that the corporation executed this instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.


Notary Public in and for Said
State
BRIDGET R. CONNOLLY
Notary Public, State of Connecticut
No. 61277
Qualified in Fairfield County
Commission Expires 3/31/91

My Commission Expires:



[Notarial Seal]

Schedule 5(f)

Stock issuable upon exercise of Warrants,
Options or related to employment performance compensation

Guarantor

Authorized Stock: 100,000 shares of Common
100,000 shares of Preferred

Outstanding Stock: Brian D. Stucker, 20,000 Common
Edward A. Garvey, 20,000 Common

Stock Issuable Upon
Exercise of Warrant: Up to 10,000 shares of Common or
Preferred Stock to Concord Asset
Management, Inc.

Borrower

Authorized Stock: 100,000 shares of Common

Outstanding Stock: 100,000 shares of Common

Stock Issuable Upon
Exercise of Warrant: None

Schedule 5(1)