

HOGAN & HARTSON

COLUMBIA SQUARE
555 THIRTEENTH STREET NW
WASHINGTON, DC 20004-1109
202/637-5600

WRITER'S DIRECT DIAL NUMBER
202/637-5785

16769-10
RECORDATION NO _____ FILED 1425

FEB 20 1990 -12 05 PM
INTERSTATE COMMERCE COMMISSION

6701 ROCKLEDGE DRIVE
BETHESDA, MARYLAND 20817
301/493-0030

111 SOUTH CALVERT STREET
BALTIMORE, MARYLAND 21202
301/659-2700

8300 GREENSBORO DRIVE
MCLEAN, VIRGINIA 22102
703/848-2800

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16769-C
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February 20, 1990
16769-E
RECORDATION NO _____ FILED 1425

16769-A
RECORDATION NO _____ FILED 1425
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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

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/initials

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

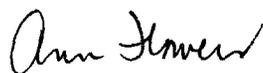
Ms. Noreta R. McGee
February 20, 1990
Page 3

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

03791

16769/ *Q*
REGISTRATION NO _____ FILED 1425

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INTERSTATE COMMERCE COMMISSION

See Page 3

heretofore assigned

SECURITY AGREEMENT

Dated as of February 15, 1990

between

PAC RAIL

Borrower

and

CONCORD ASSET MANAGEMENT, INC.

Secured Party

SECURITY AGREEMENT

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EXHIBIT A - Equipment List

SECURITY AGREEMENT

This SECURITY AGREEMENT is entered into as of February ___, 1990, between PAC RAIL, a California corporation ("Borrower") and CONCORD ASSET MANAGEMENT, INC., a New York corporation ("Secured Party").

PRELIMINARY STATEMENT

A. Borrower, Pacific Rail Leasing Corporation and Secured Party are parties to a Full Cost Loan Pool Agreement dated November 8, 1989 ("Loan Agreement"). Capitalized terms not otherwise defined herein have the meanings ascribed to such terms in the Loan Agreement.

B. Under the Loan Agreement Secured Party agreed to make one or more Loans to Borrower, such Loans not to exceed, in the aggregate, the amount of \$20,000,000, all such Loans to comprise one Loan Pool. Each such Loan is to be evidenced by a Note, to be secured, among other things, by a perfected first security interest in the Equipment and an assignment by Borrower to Secured Party of the Lease therefor, subject to Permitted Encumbrances.

C. To provide Secured Party with security for Borrower's payment of all sums due under the Notes and for the performance of all obligations of Borrower hereunder and under the other Loan Documents, Borrower is entering into this Agreement, which is for good and valuable consideration, the receipt of which Borrower hereby acknowledges.

1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following definitions:

1.1. The term "this Agreement" means and includes this Security Agreement, any concurrent or subsequent exhibits or schedules to this Security Agreement, and any extensions, supplements, amendments or modifications to this Security Agreement, and/or to any such exhibits or schedules.

1.2. The term "Borrower's Residual Share" shall have the meaning ascribed thereto in Section 5(b) of the Loan Agreement.

1.3. The term "the Code" means and refers to the Uniform Commercial Code as enacted by the State of New York and any and all terms used in this Agreement which are defined in the Code shall be construed and defined in accordance with the meaning and definition ascribed to such terms under the Code.

1.4. The term "Collateral" means and includes each and all of the following: (i) the Equipment; (ii) all right, title and interest of Borrower in and to, but none of Borrower's obligations under the Leases and any lease, rental agreement or other agreement(s) respecting the Equipment, including, but not limited to, all rental payments and security deposits and other monies to which Borrower is entitled under the Leases, directly or indirectly or from any party or person, or other payments due under such agreement(s); (iii) any and all deposit accounts (special, general or otherwise) of Borrower maintained with Secured Party; (iv) any money or other assets of

Borrower which now or hereafter come into the possession, custody or control of Secured Party; (v) Residual Proceeds; (vi) all Borrower's right, title and interest in and to Other Loan Pool Collateral (as that term is defined in the Loan Agreement), subordinate only to Permitted Encumbrances (as that term is defined in the Security Agreement executed and delivered pursuant to the Loan Pool Agreement in respect of the Other Loan Pool) and (vii) the proceeds of any of the foregoing items (i) through (v) including, but not limited to, proceeds of insurance covering the Equipment and/or any other portion of the Collateral, and any and all accounts, general intangibles, contract rights, inventory, equipment, money, drafts, instruments, deposit accounts or other tangible and intangible property of Borrower resulting from the sale or other disposition of the Collateral, or any portion thereof, and the proceeds of such proceeds.

1.5. The term "Equipment" means and includes all equipment now or hereafter owned by or in the possession of or acquired by Borrower, including the railcars described on Exhibit A hereto, together with any and all parts, appliances, components, accessories, accessions, attachments or equipment installed on, appurtenant to or delivered with or in respect thereof. ✓

1.6. The term "Event of Default" means and includes the occurrence of any one or more of the events set forth in Section 5.1 of this Agreement.

1.7. The term "Guarantee" means the Guarantee Agreement of even date between Secured Party and Guarantor.

1.8. The term "Guarantor" means Pacific Rail Leasing Corp., a California corporation.

1.9. The term "Insolvency Proceeding" means and includes any proceeding commenced by or against any person or entity, under any provision of the Federal Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including, but not limited to, assignments for the benefit of creditors, formal or informal moratoriums, compositions or extensions with some or all creditors, which proceeding is not dismissed within sixty (60) days after commencement of such proceeding.

1.10. The term "Judicial Officer or Assignee" means and includes any trustee, receiver, controller, custodian or assignee for the benefit of creditors or any other person or entity having powers or duties like or similar to the powers and duties of a trustee, receiver, controller, custodian or assignee for the benefit of creditors.

1.11. The term "Lease" means any lease, rental or other agreement granting any person now or hereafter the right to use any item of Equipment, including the Railroad Equipment Lease dated as of January 5, 1990 between Consolidated Rail Corporation as Lessee and Borrower as Lessor.

1.12. The term "Lessee" means the lessee under a Lease.

1.13. The term "Lien" means the security interest granted to Secured Party by Borrower hereunder.

1.14. The term "Loan Agreement" means that certain Full Cost Loan Pool Agreement dated November 8, 1989, among Secured Party, as lender, Borrower, as borrower, and Guarantor pursuant to which Secured Party has extended, or has agreed to extend certain financial accommodations to Borrower, together with any and all concurrent or subsequent exhibits, schedules, extensions, supplements, amendments or modifications thereto.

1.15. The term "Loan Documents" has the meaning ascribed thereto in the Loan Agreement.

1.16. The term "Obligation" means and includes any and all loans, advances, overdrafts, debts, liabilities, obligations (including, without limitation, any and all amounts evidenced by the Notes, any amounts charged to Borrower's account with Secured Party pursuant to any present or future agreements authorizing Secured Party to so charge such account, any and all interest which is not paid when due, and any and all Secured Party Expenses which Borrower is required to pay or reimburse by this Agreement, by law or otherwise), guaranties, covenants and duties owing by Borrower to Secured Party, of any kind or description, arising out of or in connection with, or related to the transactions contemplated by the Loan Agreement, the Notes, this Agreement, the other Loan Documents, any Other Loan Agreement (as that term is defined in the Loan Agreement) and/or any other agreements between Borrower and Secured Party entered into in connection therewith, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

1.17. The term "Note" means and includes each guaranteed secured promissory note, executed and delivered by Borrower to Secured Party pursuant to the Loan Agreement.

1.18. The term "Permitted Encumbrances" means and includes with respect to the Collateral: (i) any lien thereon for any work or service performed or material furnished, which lien secures amounts which are not due and payable or which are not delinquent; (ii) the Leases; and (iii) the Lien.

1.19. The term "Residual Proceeds" has the meaning ascribed thereto in the Loan Agreement.

1.20. The term "Secured Party Expenses" means and includes (i) all costs or expenses which Borrower is required to pay or cause to be paid under this Agreement, the Loan Agreement or any other Loan Document and which are paid or advanced by Secured Party pursuant to the provisions of this Agreement or any other Loan Document; (ii) all taxes and insurance premiums of every nature and kind which Borrower is required to pay or cause to be paid under this Agreement or any other Loan Document and which are paid in advance by Secured Party pursuant to the provisions of this Agreement or any other Loan Document; (iii) all filing, recording, publication and search fees paid or incurred by Secured Party pursuant to the provisions of this Agreement or any other Loan Document; (iv) all costs and expenses paid or incurred by Secured Party (with or without suit) to correct any default or enforce any provisions of this Agreement or any other Loan Document, or in gaining possession or maintaining, handling, preserving, storing, refurbishing,

appraising, selling, preparing for sale and/or advertising to sell the Collateral, whether or not a sale is consummated; (v) all costs and expenses of suit paid or incurred by Secured Party in enforcing or defending this Agreement or any other Loan Document or any portion of any thereof; and (vi) attorney's fees and expenses paid or incurred by Secured Party in advising, structuring, drafting, reviewing, amending, terminating, enforcing, defending or concerning this Agreement or any other Loan Document or any portion of any thereof, whether or not suit is brought, and including any action brought in any Insolvency Proceeding.

1.21. The term "Security Instrument" means the Leases and the Guarantee or any other instrument or document with respect to which any right or interest in or in respect of the Collateral has been granted to the Secured Party.

2. CREATION OF SECURITY INTEREST.

2.1. Security Interest in Collateral. Subject only to Permitted Encumbrances, Borrower hereby grants to Secured Party a continuing, first priority security interest in and lien upon the Collateral whether now or hereafter coming into possession of the Borrower, all in order to secure prompt repayment of any and all Obligations owed by Borrower to Secured Party and in order to secure prompt performance of any and all other Obligations to be performed by Borrower. Secured Party's security interest in and lien upon the Collateral shall attach to each item of the Collateral at such time as the Loan relating to Borrower's acquisition thereof is made.

2.2. Security Instruments; Further Assurances.

Borrower will perform, or will cause to be performed, upon the request of Secured Party, each and all of the following:

(a) Record, register and file this Agreement, as well as such notices, financing statements and/or other documents or instruments as may, from time to time, be requested by Secured Party to fully carry out the intent of this Agreement, with: (i) the appropriate filing officers in such States of the United States and other jurisdictions and (ii) such other administrations or governmental agencies as may be determined by Secured Party to be necessary or advisable in order to establish, confirm, maintain and/or perfect the Lien, as a legal, valid and binding first perfected security interest and lien upon the Collateral.

(b) Furnish to Secured Party evidence of every such recording, registering and filing.

(c) Execute and deliver or perform, or cause to be executed and delivered or performed, such further and other instruments and/or acts as Secured Party determines are reasonably necessary or required to fully carry out the intent and purpose of this Agreement or to subject the Collateral to the Lien, including without limitation: (i) any and all acts and things which may be reasonably requested by Secured Party with respect to complying with or remaining subject to the laws and regulations of any of the various states or in which the Equipment is used or may become located; and (ii) defending the title of Borrower to the Collateral by means of negotiation and,

if necessary appropriate legal proceedings, against each and every party claiming an interest therein contrary or adverse to Borrower's title to same.

(d) From time to time execute and deliver all such supplements and amendments hereto and to any Security Instrument, and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action, as Secured Party reasonably requests and deems necessary or advisable to (a) grant better all or any portion of the Collateral, (b) maintain or preserve the Lien or carry out more effectively the purposes hereof, (c) perfect, publish notice of or protect the validity of any Security Instrument, or of any grant made or to be made by this Agreement, whether or not any of the Equipment is moved from its situs as of the date hereof, (d) enforce any Security Instrument or (e) preserve and defend title to the Collateral and the rights of the Secured Party therein against the claims of all persons and parties.

2.3. Assignment of Leases. Borrower hereby assigns to Secured Party, as security for all Obligations of Borrower to Secured Party, Borrower's entire estate, right, title, interest, claim and demand in, to and under all Leases, and all rental payments and other monies due thereunder.

2.4. Collection of Money. Secured Party may demand payment or delivery of and shall receive and collect all money and other property payable to or receivable by the Secured Party pursuant to this Agreement or any Security Instrument.

Secured Party shall hold all such money and property received by it as part of the Collateral, and shall apply it as provided in this Agreement. If any default occurs in the making of any payment or performance under any Security Instrument, the Secured Party may take such action as it shall have power to take and as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Agreement and to proceed thereafter as provided in Section 5 hereof.

2.5. Power of Attorney. Borrower hereby irrevocably appoints Secured Party as Borrower's attorney-in-fact and agent with full power of substitution and resubstitution for Borrower and in its name to do, at Secured Party's option, any one or more of the following acts: (a) upon the occurrence of an Event of Default to receive, open and examine all mail addressed to Borrower and to retain any such mail relating to the Collateral, including any checks or other instruments or evidences of payment or the documents, drafts or instruments arising in connection with or pertaining to the Collateral, to the extent that any such items come into the possession of the Secured Party; (b) to compromise, prosecute or defend any action, claim or proceeding concerning the Collateral; (c) to do any and all acts which Borrower is obligated to do under this Agreement or any other Loan Document; (d) to exercise such rights as Borrower might exercise relative to the Collateral including, without limitation, the leasing, chartering or other utilization

thereof; (e) to give notice of Secured Party's Lien including, without limitation, notification to lessees and/or other account debtors of the Secured Party's security interest in the rents and other payments due to Borrower relative to the Collateral and the collection of any such rents or other payments; (f) to execute in Borrower's name and file any notices, financing statements and other documents or instruments Secured Party determines are necessary or required to fully carry out the intent and purpose of this Agreement or to perfect Secured Party's security interest and lien in and upon the Collateral. Borrower hereby ratifies and approves all that Secured Party shall do or cause to be done by virtue of the power of attorney granted in this Section 2.5 and agrees that neither Secured Party, nor any of its employees, agents, officers or its attorneys, will be liable for any acts or omissions or for any error of judgment or mistake of fact or law made while acting pursuant to the provisions of this Section 2.5 and in good faith. The appointment of Secured Party's rights and powers in connection therewith, being coupled with an interest, are and shall remain irrevocable until all of Borrower's Obligations have been fully paid and performed.

3. COVENANTS OF BORROWER. Borrower covenants to Secured Party that so long as any Obligation is outstanding:

3.1. Compliance with Laws. Borrower will neither use the Collateral, nor permit the Collateral or any portion thereof to be used for any unlawful purpose or contrary to any statute, law, ordinance or regulation relating to the registration, use, operation or control of the Collateral.

Borrower will comply with, or cause to be complied with, at all times and in all respects, all statutes, laws, ordinances and regulations of the United States, and of all other governmental, regulatory or judicial bodies applicable to the use, operation, maintenance, overhauling or condition of the Collateral, or any part thereof, and with all requirements under any licenses, permits or certificates relating to any other person having operational control of the Collateral; provided, however, that Borrower may, in good faith and by appropriate legal proceedings, contest the validity of any such statutes, laws, ordinances or regulations, or the requirements of any such licenses, permits or certificates, and pending the determination of such contest may postpone compliance therewith, unless the rights of Secured Party hereunder are or may be materially adversely affected thereby. At no time shall the Equipment be operated in any area which may expose Secured Party to any penalty, fine, sanction or other liability, whether civil or criminal, under any applicable law, nor may the Equipment be used in any manner which is or is declared to be illegal and which may thereby render the Equipment liable to confiscation, seizure, detention or destruction.

3.2. Maintenance and Operation. Borrower shall (i) cause the Equipment to be operated in accordance with the manufacturer's instructions or manuals, by competent and duly qualified personnel only in compliance with all laws and regulations and (ii) maintain the Equipment in good repair, condition and working order, and furnish all parts, mechanisms, devices and servicing required thereto so that the value and

condition thereof will at all times be maintained, reasonable wear and tear excepted.

3.3. Possession. Except as provided under any Lease, Borrower will not, without the prior consent of Secured Party, relinquish possession of any item of Equipment except for sales or leases thereof in the ordinary course of business.

3.4. Equipment Label. Borrower will promptly affix or cause to be affixed a label to each item of Equipment, which label shall indicate the existence of the Lien and be reasonably acceptable in form and substance to Secured Party.

3.5. Sale or Disposition of Collateral. So long as any Obligation is outstanding, Borrower shall not sell or otherwise transfer the Collateral or any interest therein except as expressly permitted hereunder or under the Loan Agreement or in the ordinary course of business.

3.6. Further Assurances. At any time and from time to time, upon the written request of Secured Party, Borrower shall promptly execute and deliver any and all such further instruments and documents as Secured Party may reasonably request to obtain the full benefits of this Agreement, of the rights and powers herein granted and of the Lien granted to the Secured Party hereby.

3.7. Obligations. Borrower will duly and punctually perform, enforce and comply with all terms and conditions (applicable to Borrower) of (a) each Lease and the Purchase Agreement and will (i) not waive, discharge or terminate any of its rights thereunder, (ii) not cancel or terminate any

Lease or consent to any cancellation or termination thereof, or amend or modify any Lease or the Purchase Agreement, and (iii) use its best efforts to cause each Lessee (A) to comply with all the provisions of each Lease and (B) to execute and deliver to Secured Party such documents as Secured Party may reasonably require to protect, maintain and perfect its interests hereunder; and (b) the other Loan Documents required to be performed and complied with by Borrower.

3.8. Liens. Borrower has not and will not create, incur, assume or suffer to exist any lien or encumbrance on the Collateral, other than (a) Permitted Encumbrances and (b) liens or encumbrances (i) created by any act or omission of the Lessee under a Lease which liens or encumbrances, under the terms of such Lease, such Lessee is required to remove or (ii) expressly permitted under such Lease.

3.9. Inspection. Borrower, upon request of Secured Party and upon reasonable notice, will afford Secured Party or its duly authorized representative, the opportunity to inspect the Equipment from time to time and in connection therewith to confer with any Lessee as Secured Party shall reasonably request.

3.10. Taxes. Borrower shall pay, or cause to be paid, when due all taxes, assessments, charges (including license and registration fees and all taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon) (collectively "Taxes") imposed upon Borrower by any federal, state or local government

or taxing authority upon or with respect to the Collateral or any portion thereof, or upon the purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Agreement, or any of the other agreements relating hereto, excepting from such requirements any taxes or charges which are based on, or measured by, the net income of Secured Party, unless such Taxes are in good faith contested by Borrower and do not result in the imposition of any lien or encumbrance on the Collateral unless such lien or encumbrance, within ten (10) business days of the imposition thereof, is removed by Borrower.

3.11. Records. Borrower shall keep accurate and complete records relating to the Equipment, and provide Secured Party with copies of reports and information relating thereto as Secured Party may reasonably require from time to time.

3.12. Insurance. Borrower will maintain or cause to be maintained insurance in amounts and against such risks as are usually carried by owners of similar businesses and properties on the Equipment with Lender as a named insured in an amount equal to the actual price paid by Borrower for the Equipment. In the event that any lessee of Equipment shall be obligated to maintain policies of insurance pursuant to any Lease, Borrower shall ensure that Lender is named a loss payee under each such policy as its interests may appear, and furnish Lender with certificates of insurance evidencing this coverage. All policies of insurance shall be with insurers and shall be in

form and scope reasonably acceptable to Secured Party and shall provide that if such insurance is cancelled for any reason whatever, or any substantial change is made in the coverage which affects the interest of Borrower or Secured Party, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Borrower or Secured Party until thirty days after receipt by Borrower and Secured Party of written notice from the actual insurer of such cancellation, change or lapse.

4. REPRESENTATIONS AND WARRANTIES OF BORROWER.

Borrower represents and warrants to Secured Party:

4.1. Power. Borrower is a corporation duly organized, existing and in good standing under the laws of the State of California, is duly qualified and in good standing under the laws of each and every jurisdiction where the character of its properties or the transaction of its business makes such qualification necessary and has full power to own its properties and assets and to carry on its business as now being conducted.

4.2. Authority. Borrower has full power and authority to execute, deliver and perform this Agreement and to create and issue the Note, all of which have been duly authorized by all necessary and proper corporate action. Borrower has full power and authority to acquire and perform the Leases. No consent or approval, which has not already been obtained, of any stockholder or of any public authority is required as a condition to the validity of this Agreement, the Note or the Leases. The making and/or performance by Borrower of this Agreement, the Note

and the Leases will not violate any provision of law and will not conflict with or result in a breach of any order, writ, injunction or decree of any court or governmental instrumentality, domestic or foreign, or its charter or by-laws or create a default under any agreement, bond, note or indenture to which it is a party or by which it is bound or to which any of its property is subject, or result in the imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its properties or assets, except for the liens created under this Agreement.

4.3. Binding Obligation. Borrower's execution of this Agreement creates binding obligations as stated herein.

4.4. Good Title; Valid Liens. The Borrower will at all times have good title to the Equipment and, as lessor, to the Leases, free and clear of all liens, charges, security interest and other encumbrances other than Permitted Encumbrances. Borrower will acquire the Equipment in the ordinary course, in good faith, and without any knowledge that such acquisition violates any ownership rights or security interest of a third party therein, from a person in the business of selling goods such as the Equipment. Borrower will warrant and defend its title to and ownership of the Collateral against other persons and will maintain the priority of security interests created by this Agreement and will defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein.

4.5. Enforceability of Leases. Each Lease will be

the valid and binding agreement of the Borrower and the Lessee thereunder and constitute the entire agreement between the Borrower and the Lessee. No sums payable under any Lease will be subject to any defenses, setoffs or counterclaims nor will there have been any payments made in advance or deferred on account of rentals due under any Lease except as provided therein.

4.6. Location of Chief Executive Office. Borrower's chief executive office and the office at which it maintains its accounts receivable is located at the address set forth in Section 7.1 of this Agreement and Borrower shall not change such location without prior written notice to Secured Party.

4.7. Tax Returns. Borrower has filed and will file all tax returns which are required by any jurisdiction to be filed by Borrower, and has paid and will pay all taxes which have become due pursuant to said returns or pursuant to any assessments against Borrower except such as are being contested in good faith by appropriate proceedings.

4.8. Loan Documents. Each representation and warranty set forth in the other Loan Documents in respect thereof and as to this Agreement, the Leases and the Note is true and correct as if made the date hereof and no default has occurred under any thereof.

5. EVENTS OF DEFAULT AND REMEDIES.

5.1. Events of Default. Any of the following occurrences or acts shall constitute an Event of Default under this Agreement:

(a) If default shall be made in the payment of (i) any interest or principal on any Loan Pool Note when and as the same shall become payable or (ii) Borrower shall not pay (A) any amount due under this Agreement or (B) any amount due under any other Loan Document or (C) any other Obligation, in each case when and as the same shall become payable, whether at maturity or by acceleration or as part of any prepayment or otherwise; or

(b) If there shall occur (i) a Default of Borrower under this Agreement or any other Loan Document or (ii) an Event of Default under an Other Loan Pool Agreement; or

(c) If the validity or effectiveness of any Loan Document shall be impaired, or if Borrower shall amend, hypothecate, subordinate, terminate or discharge any Security Instrument and as a result thereof Borrower shall be released from any of its covenants or obligations under any Security Instrument, in each case except to the extent that the same shall be caused by, or shall occur with the express written consent of, the Secured Party; or

(d) Subject to subsection (g) of this Section 5.1., any lien, charge, security interest, mortgage, pledge or other encumbrance shall be created on, or extend to or otherwise arise upon or burden any Collateral or any part there .

or any interest therein or the revenues, rents, issues or profits thereof, other than Permitted Encumbrances; or

(e) If any representation or warranty of Borrower made in any Loan Document, any Security Instrument or in any certificate or other writing delivered pursuant hereto or thereto shall prove to be incorrect in any material respect as of the time when the same shall have been made; or

(f) If Guarantor shall repudiate or fail to perform any of Guarantor's obligations under the Guarantee; or

(g) If a notice of lien, levy or assessment is filed or recorded with respect to any or all of the Collateral by the United States Government, or any department, agency or instrumentality thereof and such lien, levy or assessment is not removed or bonded within five (5) business days from the imposition thereof; or

(h) If there is a Default in any material agreement to which Borrower or Guarantor is a party with third parties resulting in a right by such third parties to accelerate the maturity of Borrower's or Guarantor's indebtedness; or

(i) If Borrower or Guarantor makes any payment on account of indebtedness which has been subordinated to Borrower's Obligations to Secured Party other than as permitted under the terms of any subordination or inter-creditor agreement to which Secured Party is a party; or

(j) Borrower or Guarantor shall (i) be dissolved or lose its charter by forfeiture or otherwise, or (ii) unless waived by the obligee thereof, suffer any obligations

for the payment of borrowed money to become due and payable prior to the express maturity thereof, or suffer to exist or occur and be continuing any condition or event upon which, save for a requirement of the giving of notice or the passing of time or both, any such obligation might become or be declared due and payable prior to the expressed maturity thereof; or

(k) Borrower or Guarantor (i) generally is not paying its debts as they become due, (ii) files a petition commencing a voluntary case concerning it under any Chapter of Title 11 of the United States Code entitled "Bankruptcy", (iii) petitions or applies to any tribunal for the appointment of any receiver, liquidator or trustee of or for it or any substantial part of its property or assets, or (iv) commences any proceeding relating to it under any other bankruptcy, reorganization, dissolution, liquidation or similar law or statute of any jurisdiction (domestic or foreign), whether now or hereafter in effect, or any other procedure for the relief of financially distressed debtors; or

(l) An involuntary case is commenced against Borrower or Guarantor under any Chapter of Title 11 and judgment is entered thereon, or the petition is controverted but is not dismissed within sixty (60) days after the commencement of the case; or

(m) There is commenced against Borrower or Guarantor, or any proceeding (A) under any other applicable federal or state bankruptcy, insolvency or other similar law or (B) seeking the appointment of a receiver, liquidator, assignee,

trustee, sequestrator, agent or custodian (or other similar official) of Borrower or any substantial part of its or his property, and relief against it or him is ordered in such proceeding and such order on relief is not subject to a stay; or

(n) A final judgment for the payment of money shall be rendered against Borrower or Guarantor and such judgment shall not be discharged or appealed from within ninety (90) days with a stay or execution granted, or any attachment, execution or garnishment shall be issued or filed against (i) the Collateral or any portion thereof or (ii) any of the property of Borrower other than the Collateral and shall not be released or discharged within ninety (90) days; or

(o) If, after all applicable cure periods provided therein, there shall exist a default under any document to which Borrower or Guarantor is a party evidencing, creating or relating to indebtedness, whether now or hereafter incurred, of Borrower or Guarantor.

5.2. Remedies. If an Event of Default shall be continuing, in addition to any remedies to which Secured Party is entitled under any Loan Document the Secured Party may but shall not be required to do one or more of the following:

(a) give notice to Borrower declaring the entire unpaid principal amount of the Note and one or more or all the other Notes comprising the Loan Pool, and any one or more other Obligations of Borrower to Secured Party, whether in respect of the Loan Pool, or otherwise, together with all accrued interest and other sums then owing thereon, to be forthwith

payable, and demanding that the same be paid, and thereupon all such amounts shall be forthwith payable, together with all costs and expenses of collection, notwithstanding any contrary provision contained in this Agreement or any other Loan Document;

(b) institute Proceedings for the collection of the Obligation, including all amounts then payable on the Note or Notes, hereunder or under the Loan Documents, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Collateral moneys adjudged due;

(c) ten days after delivery by Secured Party of written notice from Borrower, sell the Collateral or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law;

(d) institute proceedings from time to time for the complete or partial foreclosure of this Agreement;

(e) take any other appropriate action to protect and enforce the rights and remedies of the Secured Party hereunder, or under or in respect of any Security Instrument, or otherwise; and

(f) have all the rights and remedies provided to a secured party by the Code with respect to all parts of the Collateral which are and which are deemed to be governed by the Code; provided, that so long as any Lessee shall be not in default of any of the provisions of the relevant Lease, the Secured Party shall not disturb such Lessee's quiet and peaceful possession of the Equipment subject to such Lease, and its

unrestricted right to use such Equipment for its intended purpose.

5.3. Sale of Collateral.

(a) The power to effect any sale shall not be exhausted by any one or more sales as to any portion of the Collateral remaining unsold, but shall continue unimpaired until the entire Collateral shall have been sold or all amounts payable on the Note and under this Agreement shall have been paid. The Secured Party may from time to time postpone any sale by public announcement made at the time and place of such sale.

(b) The Secured Party may bid for and acquire any portion of the Collateral in connection with a sale thereof, and may pay all or part of the purchase price by crediting against amounts owing on any Note or other amounts secured by this Agreement, all or part of the net proceeds of such sale after deducting the costs, charges and expenses incurred by the Secured Party in connection with such sale. No Note need be produced in order to complete any such sale, or in order to cause there to be credited thereon its share of such net proceeds. The Secured Party may hold or otherwise deal with any property so acquired in any manner permitted by law.

(c) The Secured Party shall have the power to execute and deliver an appropriate secured party bill of sale with respect to the Collateral in connection with a sale thereof. In addition, upon the occurrence of an Event of Default the Secured Party is hereby irrevocably appointed the agent and attorney-in-fact of Borrower to transfer and convey its interest

in any portion of the Collateral in connection with a sale thereof, and to take all action necessary to effect such sale. No purchaser or transferee at such a sale shall be bound to ascertain the Secured Party's authority or inquire into the satisfaction of any conditions precedent to see to the application of any moneys.

(d) The unpaid principal amount of the Notes and all accrued interest and other sums payable under the Loan Documents shall remain payable upon a sale of any portion of the Collateral pursuant to Section 5.2(c) hereof, notwithstanding any provision to the contrary contained in this Agreement or such Note. All earnings, revenues, proceeds, rents, issues, profits and income derived pursuant hereto (after deducting costs and expenses of operation and other proper charges), all proceeds of any sale and all other money and property received or recovered by the Secured Party pursuant to this Section 5.3 shall become part of the Collateral.

5.4. Action on the Notes. The Secured Party's right to seek and recover judgment on any Note or under this Agreement shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Agreement. Neither the Lien nor any rights or remedies of the Secured Party shall be impaired by the recovery of any judgment by the Secured Party against Borrower or by the levy of an execution under such judgment upon any portion of the Collateral.

5.5. Enforcement of Guarantee. Nothing herein contained shall require Secured Party to seek to enforce the

Guarantee as a condition to exercising one or more remedies provided herein; nor shall the enforcement by Secured Party of the Guarantee preclude Secured Party from seeking to enforce any one or more of such remedies.

5.6. Distribution of Collateral. All moneys constituting a part of the Collateral, however and for whatever reason received, shall be applied from time to time by the Secured Party as follows:

First: To the payment of all costs, expenses, liabilities of the Secured Party (including reasonable fees and expenses of its agents and counsel) incurred or accrued in connection with any Proceedings brought by the Secured Party or in connection with the sale or other disposition of the Collateral.

Second: As provided in Section 4(b) of the Loan Agreement.

5.7. Waiver of Rights; Receiver.

(a) If an Event of Default shall be continuing, Borrower will consent to the appointment of one or more receivers of all or part of the Collateral upon the request of the Secured Party.

(b) To the extent permitted by law, Borrower hereby waives, and hereby agrees that it will never seek or derive any benefit or advantage from, any of the following, whether now existing or hereafter in effect:

(i) any stay, extension, moratorium or other similar law with respect to the Collateral or the Note;

(ii) any law allowing for the redemption of any portion of the Collateral after a Sale thereof; and

(iii) any right to have any portion of the Collateral or other security for the Notes marshalled.

Borrower covenants not to hinder, delay or impede the exercise of any right or remedy under or in respect of this Agreement, and agrees to suffer and permit its exercise as though no laws or rights of the character listed above were in effect.

5.8. Rights Cumulative. All rights and remedies from time to time conferred upon or reserved to the Secured Party are cumulative, and none is intended to be exclusive of another. No delay or omission in insisting upon the strict observance or performance of any provision of this Agreement, or to exercise any right or remedy, shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy. Every right and remedy may be exercised from time to time and as often as deemed expedient.

6. DISCHARGE OF AGREEMENT. This Agreement and all agreements contained herein shall cease and terminate when all Obligations shall have been paid in full sufficient moneys are held by the Secured Party for such purposes and satisfactory provision has been made for paying all other sums payable hereunder and thereunder. Upon the termination of this Agreement, the Secured Party shall execute and deliver such instruments as shall be reasonably requested by Borrower to

satisfy and discharge the Lien. The Secured Party shall then transfer the Collateral to Borrower or any other person entitled thereto, without recourse, except for the acts of the Secured Party.

7. MISCELLANEOUS.

7.1. Notices. All notices and demands hereunder whether by any party hereto or any third party as required hereby shall be in writing and shall be deemed to have been given when actually received and receipted for, or when telecopied, addressed in each case as follows: (a) if to the Secured Party at One Norwalk West, 40 Richards Avenue, Norwalk, CT 06856 (Telecopy No. 203-855-9776), Att: Robert L. Thomas, or (b) if to Borrower, at Two Embarcadero Center, Suite 1650, San Francisco, CA 94111 (Telecopy No. 415-394-8671), Att: Brian D. Stucker. Any of the foregoing parties may change its address for notices hereunder by giving notice of such change to the other party in accordance with the provisions of this Section 7.1.

7.2. Powers and Agencies. Whenever in this Agreement Secured Party is granted the power of attorney or is appointed the agent and attorney-in-fact with respect to any person, such grant or appointment is irrevocable and coupled with an interest. Secured Party shall have full power of substitution and delegation in the respect of all such grants and appointments.

7.3. Separability. No provision hereof or of the Note or of any other Loan Document shall require the payment or permit the collection of interest in excess of the maximum

permitted by applicable law, any contrary provision herein or therein notwithstanding. Any provision hereof or thereof, which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by law, the parties hereto hereby waive any provision of law which renders any such provision prohibited or unenforceable in any respect.

7.4. Binding Effect. All provisions hereof shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

7.5. Amendment and Waiver. The provisions of this Agreement may not be changed orally, but only by an instrument signed by Borrower and the Secured Party. No requirement of this Agreement may be waived at any time except by an instrument signed by the Secured Party, nor shall any waiver be deemed a waiver of any subsequent breach or default.

7.6. Headings. The section and article headings herein are for convenience of reference only, and shall not limit or otherwise affect the meaning hereof.

7.7 Counterpart Execution. This Agreement may be executed in two or more counterparts, each of which, when so executed, shall be deemed an original, but all such duplicate originals shall constitute the same instrument.

7.8. Governing Law; Jurisdiction. 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, Secured Party and Borrower (i) agree that any legal suit, action or proceeding arising out of or relating to this Agreement must be instituted in a State or Federal Court in the City, County and 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. Borrower hereby irrevocably designates Prentice Hall Corporation System, One Gulf + Western Plaza, New York, NY 10023-7773, as Borrower's agent for service of process in connection with any legal suit, action or proceeding arising out of this Agreement.

IN WITNESS WHEREOF, Borrower and the Secured Party have caused this Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

PAC RAIL
Borrower

By: Edward A. Corvey

Name: Edward A. Corvey

Title: President

CONCORD ASSET MANAGEMENT, INC.
Secured Party

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, Borrower and the Secured Party have caused this Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

PAC RAIL
Borrower

By: _____

Name: _____

Title: _____

CONCORD ASSET MANAGEMENT, INC.
Secured Party

By: *[Signature]*

Name: *Peter R. Fox*

Title: *Vice President*

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. Poole, 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]

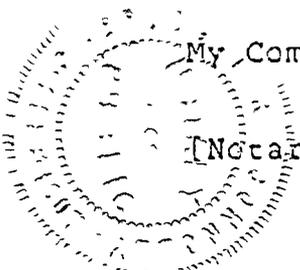


EXHIBIT A

Equipment List

*These units
among the units
released under
16762-K
@ Partial Release*

One Hundred Fourteen (114) 100-ton self-clearing, center-dump, open-top hopper cars, manufactured by Pullman Standard with the following Bessemer and Lake Erie numbers:

Road Nos: (98202 - 98400)

98202	98269	98343
98205	98271	98344
98206	98273	98345
98207	98274	98346
98208	98275	98347
98209	98277	98348
98210	98278	98351
98215	98279	98352
98217	98281	98353
98219	98282	98355
98222	98285	98356
98223	98287	98358
98224	98288	98359
98226	98289	98360
98228	98290	98362
98229	98292	98368
98230	98297	98370
98231	98298	98373
98235	98300	98374
98236	98302	98375
98237	98303	98379
98239	98304	98380
98240	98305	98381
98242	98307	98382
98247	98308	98383
98248	98309	98384
98250	98316	98385
98251	98317	98386
98253	98320	98388
98255	98321	98392
98256	98323	98393
98258	98324	98394
98260	98325	98395
98261	98329	98397
98263	98331	98399
98264	98332	98400
98265	98333	
98267	98335	
98268	98339	