

HELM FINANCIAL CORPORATION

One Embarcadero Center • San Francisco, CA 94111

415/398-4510

FAX 415/398-4816

www.hlmx.com

September 16, 2004

Mr. Vernon Williams
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001



RECORDATION NO. 25193

SEP 20 '04 11-02 AM

SURFACE TRANSPORTATION BOARD

Dear Mr. Williams:

On behalf of Helm Financial Corporation, I submit for filing and recording under 49 U.S.C. Section 11301 and the regulations promulgated thereunder the following document:

Two (2) fully executed originals of the Memorandum of Agreement dated as of July 15, 2004 ("**Memorandum**") between Helm Financial Corporation ("**Secured Party**") and Lancaster & Chester Railway Company ("**Debtor**")

In connection with the recording of the Memorandum, please note the following information:

Secured Party:	Helm Financial Corporation One Embarcadero Center, Suite 3700 San Francisco, CA 94111
Debtor:	Lancaster & Chester Railway Company 518 South Main Lancaster, SC 29721
Equipment:	2 GP38-2 Locomotives HLCX 3819 and 3821

Please record this Memorandum of Agreement as a primary document. The filing fee of \$30.00 is included in our enclosed Check.

Summary:

Memorandum of Agreement dated as of July 15, 2004 between Helm Financial Corporation ("**Secured Party**") and Lancaster & Chester Railway Company ("**Debtor**") for 2 GP38-2 locomotives, HLCX 3819 and 3821 to be filed as a primary document.

Yours truly,

A handwritten signature in cursive script that reads "Sharon L. Van Fossan".

Sharon L. Van Fossan
Supervisor Contract Administration

/svf
Enclosures (2)

EXHIBIT B

To the Agreement of Purchase and Sale dated as of July 15, 2004 between Helm Financial Corporation and Lancaster & Chester Railway Company

SEP 20 04 11:02 AM

SURFACE TRANSPORTATION BOARD

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT ("Memorandum") is dated as of July 15, 2004 and is intended to evidence that certain Agreement of Purchase and Sale dated as of July 15, 2004 ("Agreement") between HELM FINANCIAL CORPORATION, a California corporation ("Secured Party"), and LANCASTER & CHESTER RAILWAY COMPANY, a South Carolina corporation ("Debtor"), in accordance with the requirements of recordation of the Surface Transportation Board ("STB") of the Department of Transportation under Section 49 of U.S.C. 11301.

The Seller has agreed to extend credit to the Buyer subject to the terms and conditions set forth in the Agreement, and in connection with the sale by Seller to Buyer of two (2) GP38-2 diesel-electric locomotives equipped with standard dynamic braking, 2000 horsepower, front and rear ditch lights and clasp type brakes, and bearing the mark HLCX and the numbers 3819 and 3821 ("Units").

As security for the payment or performance, as the case may be, in full of Buyer's obligations under the Agreement, Buyer hereby grants to Seller, its successors and assigns, a security interest in, all right, title or interest in or to the Units, including without limitation all Chattel Paper, Documents, Instruments, all books and records pertaining to the Units, and all Proceeds and products of any and all of the foregoing. The term "Units", as used herein, has the meaning set forth in the Agreement and includes any and all parts, mechanisms, devices and replacements from time to time incorporated in or installed on or attached to the Units, (b) any and all additions and improvements from time to time incorporated in or installed on or attached to the Units, and (c) any and all non-removable improvements, additions or other modifications. Buyer agrees that so long as this Memorandum remains on file with the STB, Buyer may not sell, assign or otherwise transfer any interest in the Units and that Buyer may not grant any security interest, lien, charge in, or otherwise encumber, the Units in any way.

As contemplated by the Agreement, Seller hereby files and records this Memorandum to confirm and perfect its security interest in and to the Units, to the extent such security interest is perfectible by a filing with the STB. The parties further acknowledge and confirm that this Memorandum is not a summary of the Agreement nor a complete recitation of the terms and provisions thereof. The parties agree that in the event of a conflict between this Memorandum and the provisions of the Agreement, the provisions of the Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum to be executed by their duly authorized representative as of the day and year first above written.

SECURED PARTY

DEBTOR

HELM FINANCIAL CORPORATION

LANCASTER & CHESTER RAILWAY COMPANY

By: John F. Dains
Name: John F. Dains
Title: President

By: Stephen Gedney
Name: Stephen Gedney
Title: President

cm

