UNITED STATES
RAILWAY LEASING COMPANY

2200 EAST DEVON AVENUE • DES PLAINES, ILLINOIS 60018 • (312) 297-3200

6-240A035
Date AUG 24 1976
Fee $ 50
ICC Washington, D. C.

August 19, 1976

8458
RECORDATION NO. ..... Filed & Recorded
AUG 27 1976 - 1 55 PM
INTERSTATE COMMERCE COMMISSION

Secretary,
Interstate Commerce Commission
Office of the Secretary
Washington, D.C. 20423

Re: Lease entered into the 13th day of April, 1976 between United States Railway Leasing Company and The Arcata and Mad River Rail Road Company

Madame:

Pursuant to Section 20(c) of the Interstate Commerce Act and to the Commission's Rules and Regulations thereunder, as amended, we are enclosing for filing and recording four (4) fully executed Counterparts of the above mentioned lease:

Lessor	Lessee
United States Railway Leasing Co.	The Arcata and Mad River Rail Road Company
2200 East Devon Avenue	P. O. Box 368
Des Plaines, Illinois 60018	Blue Lake, California 95525

The equipment covered by the enclosed documents consists of Twenty (20) New 52 foot 5 inch, 70-ton Side Slider Box Cars, bearing the following reporting car numbers: AMR 5001 - 5020, inclusive

This equipment will be lettered United States Railway Leasing Co., USLX, or in some other appropriate manner, and will also be marked, "Property of United States Railway Leasing Co., Owner and Lessor."

Also enclosed is the Lessor's check in the amount of $50, representing the recordation fee as required by Section 57.3 of the Rules and Regulations. Upon recordation, kindly return the originals to the undersigned at the letterhead address.

Very truly yours,

Paul R. Leak
Controller

prl:mez
Encl. - 4
cc: R. E. Bell
Information Center (Lot 1424)

RECEIVED
AUG 27 1 26 PM '76
I.C.C.
FEE OPERATION BR.

Interstate Commerce Commission

Washington, D.C. 20423

OFFICE OF THE SECRETARY

8/27/76

Paul R. Leak, Controller
U.S. RYW. Leasing Company
2200 East Devon Ave.
Des Plaines, Illinois 60018

Dear Sir:

The enclosed document was recorded pursuant to the provisions of Section 20c of the Interstate Commerce Act, 49 U.S.C. 20c, on 8/27/76 at 1:35pm, and assigned recordation number 8458

Sincerely yours,

Robert L. Oswald
Secretary

Enclosure

SE-39
(2/75)

1424

LEASE

AGREEMENT made and entered into this 13th day of April, 19 76, between

UNITED STATES RAILWAY LEASING COMPANY
an Illinois corporation (hereinafter called "United") and

THE ARCATA AND MAD RIVER RAIL ROAD COMPANY,

a California corporation

(hereinafter called "Lessee")

0450

AUG 27 1976

RECITALS

Lessee desires to lease from United as Lessor certain railroad cars, hereinafter specifically designated, all upon the rentals, terms and conditions set forth in this Lease.

AGREEMENT

It is Agreed:

1. *Lease of Cars.* United agrees to lease to Lessee and Lessee agrees to and does hereby lease from United the Cars (the term "Cars" and other terms used herein are defined in Paragraph 28 hereof). The Cars covered by this Lease are those which shall be delivered to and accepted by Lessee pursuant to Paragraphs 2 and 3 hereof. The lease shall become effective as to any Car immediately upon its acceptance pursuant to Paragraph 3.

2. *Delivery of Cars.* United shall deliver the Cars as promptly as is reasonably possible. United's obligations with respect to delivery of all or any of the Cars are hereby made expressly subject to, and United shall not be responsible for, failure to deliver or delays in delivering Cars due to labor difficulties, fire, delays and defaults of carriers and material suppliers or Car manufacturers, acts of God, governmental acts, regulations and restrictions or any other causes, casualties or contingencies beyond United's control; provided, however, that in no event shall Lessee be obligated to accept delivery of Cars after October 31, 1976.
Initial delivery shall be f.o.t. Blue Island, Illinois

From and after acceptance of a Car, Lessee shall be liable for, and shall pay or reimburse United for the payment of, all costs, charges and expenses of any kind whatsoever on account of or relating to switching, demurrage, detention, storage, transportation or movement of a Car, including specifically, but not exclusively, freight and switching charges for movement at any time and from time to time to and from any repair shops, storage or United's facilities.

3. *Condition of Cars — Acceptance.* All Cars delivered hereunder shall be in satisfactory condition for movement in the normal interchange of rail traffic and shall otherwise comply with the description and/or specifications contained in Exhibit A; but Lessee shall be solely responsible for determining that Cars are in proper condition for loading and shipment. Within five (5) days after United shall give Lessee notice that some or all Cars are ready for initial delivery, Lessee may have its authorized representative inspect such Cars at ~~(the point of delivery)~~ (the manufacturer's plant)* and accept or reject them as to condition. Cars so inspected and accepted and any Cars which Lessee does not elect to inspect shall upon delivery thereof to Lessee as above provided be conclusively deemed to be accepted and subject to this Lease and to meet all requirements of this Lease. Lessee shall issue and deliver to United with respect to all Cars accepted, a Certificate of Inspection and Acceptance in the form of Exhibit B.

*Strike inapplicable material in Paragraph 3.

4. *Use and Possession.* Throughout the continuance of this Lease so long as Lessee is not in default hereunder, Lessee shall be entitled to possession of each Car from the date the Lease becomes effective as to such Car and shall use such Car (a) on its own property or lines; and (b) upon the lines of any railroad or other person, firm or corporation in the usual interchange of traffic; provided, however, that Lessee agrees that the Cars shall at all times be used (i) in conformity with Interchange Rules; (ii) in compliance with the terms and provisions of this Lease; (iii) in a careful and prudent manner, solely in the use, service and manner for which they were designed; (iv) only within the continental limits of the United States of America or in Canada; and (v) in such service as will not constitute a "unit train" nor in such service as will employ more than ten percent of the Cars as part of any one train, except as same results from interchange practices beyond Lessee's control.

5. *Term.* This Lease shall be for a term which shall commence on the date of delivery by United of the first Car, as provided in Paragraph 2 hereof, and shall terminate ten (10) years from the Average Date of Delivery unless sooner terminated in accordance with the provisions of this Lease or unless extended pursuant to written agreement of the parties.

6. *Rental.* (a) Per Car. During the term of this Lease, Lessee shall pay to United for each Car, commencing on the date of delivery thereof a rental of $ 440.00 per Car per month subject to adjustment as hereinbelow provided.

(b) Adjustment. The rental provided in Paragraph 6(a) is comprised of a Constant Factor of $ 365.00, plus an initial Maintenance Factor of $ 75.00. If the Prevailing Labor Rate established and in effect at any time and from time to time from and after the date hereof shall increase over the Current Labor Rate of $ 17.27, the Maintenance Factor shall be adjusted to be the product obtained by multiplying the initial Maintenance Factor by a fraction, the numerator of which is the Prevailing Labor Rate and the denominator of which is the Current Labor Rate; and the per Car rental shall be revised to be the sum of the Constant Factor and the adjusted Maintenance Factor, provided, however, that no adjustment shall be made which would reduce the Maintenance Factor below the initial Maintenance Factor. Any such adjustment shall be instituted by notice from United to Lessee and shall take effect with respect to rents coming due next after the date of such notice. Notwithstanding the foregoing, if Lessee shall be served with a notice increasing the rents thereafter payable hereunder, Lessee may, in lieu of paying such increased rents, elect by notice delivered to United within ten days after receipt of United's notice, to itself perform or cause to be performed all Repair Work to Cars required of the parties by Paragraph 9(a) and (b) hereof, and, upon such election, the rents thereafter payable per Car shall be and remain only the amount of the Constant Factor; and Lessee shall be obligated, at its own expense, to perform, or cause to be performed, all Repair Work as well as all preventive maintenance, all in accordance with United's past practices and to United's sole satisfaction, and United shall be released from and indemnified against all responsibility, cost and expense therefor.

7. *Payment.* Lessee shall make payment of all sums due hereunder to United in Chicago funds at the address provided in Paragraph 21 hereof, or such other place as United may direct. Rental payments shall be made monthly in advance on or before the 1st day of each month for which such rental is due, except that the first full month's payment shall include rental covering any prior period of less than one month.

8. *Title.* Lessee shall not by reason of this Lease or any action taken hereunder acquire or have any right or title in the Cars except the rights herein expressly granted to it as Lessee.

9. *Repairs.* (a) United. Except as may otherwise be provided in Paragraph 6(b) or this Paragraph 9(a) and (b), United shall be responsible for the cost and expense of all Repair Work which is imposed upon the owner of a Car under Interchange Rules provided it has received notice of the need for Repair Work as herein provided. Lessee shall promptly give United notice of all Repair Work. Upon receipt of notice specifying the location of the Car and its number, extent and nature of the

required Repair Work and estimated cost thereof, United shall thereupon have the option to: (i) require Lessee to promptly deliver the Car to such place as United designates for performance of such Repair Work or to hold same on its lines or on its property to permit United to make or have made the required Repair Work; (ii) require that Lessee promptly make or have made the required Repair Work; or (iii) terminate this Lease with respect to such Car and require its return to United if, in United's sole opinion, it deems such Repair Work to be unsuitable or uneconomical. United may at any time require Lessee to return or hold Cars at specified places for any preventive maintenance it elects to do or have done.

(b) Lessee. Lessee shall be responsible for, shall pay all costs and expenses of and shall cause to be made all Repair Work or other work or materials required by reason of (i) damage or other condition caused by negligence of Lessee or anyone other than United; (ii) damage or other condition caused by loading, unloading or use other than as permitted herein; (iii) loss of or damage to interior lading equipment, special interior linings or removable parts; (iv) maintenance to keep such interior lading equipment, special interior linings or removable parts in good, safe operating condition; or (v) Interchange Rules which have not been adopted or promulgated as of the date hereof.

10. *Substitution of Cars.* United may, at any time and from time to time, replace any Withdrawn Cars or Casualty Cars with Replacement Cars and such Replacement Cars shall be deemed to be subject to all terms and conditions of this Lease as if the same had been originally delivered to Lessee at the time and in the place of Cars for which they are substituted. The parties shall execute amendments to this Lease and such other or further documents as may be required by either party hereto to evidence the withdrawal from and termination of this Lease with respect to Withdrawn or Casualty Cars, or to include any Replacement Cars within the terms and provisions of this Lease and of any other document under which United has assigned its rights hereunder, as permitted in Paragraph 19 hereof.

11. *Abatement of Rent.* Rental payments on any Car out of service for Repair Work or other work the cost and expense of which is United's responsibility under Paragraph 9(a) hereof shall abate from the fifth day after United has received notice of the need for Repair Work or the date a Car is taken out of service by United for preventive maintenance until such Car or a Replacement Car is delivered to Lessee, to a railroad for the account of Lessee, or is otherwise ready for or is returned to service by Lessee. In the event rental is abated, then if United so elects and notwithstanding anything contained in Paragraph 5 to the contrary, the original term of this Lease, as determined in Paragraph 5, shall be extended for a period of time (but not less than one day) determined by dividing the sum of the number of days per Car with respect to which rental was so abated by the number of Cars subject to this Lease on what would otherwise have been the last day of the original Term hereof.

12. *Taxes.* Lessee shall be liable for and pay or reimburse United for payment of all Federal, State or other governmental charges or taxes assessed or levied against the Cars including but not limited to (i) all Federal, State or local sales, use or property taxes imposed upon or in connection with the Cars, this Lease, or the manufacture, acquisition, or use of the Cars for or under this Lease; (ii) all taxes, duties or imposts assessed or levied on the Cars or this Lease by a foreign country and/or any governmental subdivision thereof; and (iii) all taxes or governmental charges assessed or levied upon its interest as Lessee of Cars. If any levy or assessment is made against United or which United shall pay on account of any of the foregoing matters or on account of its ownership of the Cars, exclusive, however, of any taxes on the rentals hereunder or the net income of United therefrom (except any such tax on rentals which is in substitution for, or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as hereinbefore provided), Lessee will promptly pay or reimburse United for same; but the Lessee shall not be required to pay the same so long as it shall in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof unless thereby, in the judgment of United, the rights or interest of United in and to the Cars will be materially endangered. In the event any tax reports are required to be made on the basis of individual Cars, the Lessee will either make such reports in such manner as to show the

ownership of such Cars by United or will notify United of such requirements and will make such report in such manner as shall be satisfactory to United.

13. ***Liens.*** Lessee shall keep the Cars free from any and all encumbrances or liens in favor of anyone claiming by, through or under Lessee which may be a cloud upon or otherwise affect United's title, including, but not limited to liens or encumbrances which arise out of any suit involving Lessee, or any act, omission or failure of Lessee or Lessee's failure to comply with the provisions of this Lease, and Lessee shall promptly discharge any such lien, encumbrance or legal process.

14. ***Indemnities — Patent Covenants.*** Lessee agrees to indemnify United and hold it harmless from any loss, expense or liability which United may suffer or incur from any charge, claim, proceeding, suit or other event which in any manner or from any cause arises in connection with the use, possession or operation of a Car while subject to this Lease and without regard as to how such charge, claim, proceeding, suit or other event arose, including without limiting the generality of the foregoing, whether it arises from latent or other defects which may or may not have been discoverable by United, excepting only any such loss, expense or liability which arises as to a Car in United's shop or possession. United agrees to indemnify Lessee and save it harmless against any charge, loss, claim, suit, expense or liability arising out of or on account of the use or incorporation by United upon delivery of a Car or upon the making of repairs thereto by United, of any invention or the infringement of any patents, except if such invention was used or incorporated by reason of Lessee's specifications. The term "United" shall mean and include any subsidiary, parent or affiliated corporation for all purposes, of this Paragraph 14. Lessee's indemnity shall not eliminate the specific rights given Lessee under any manufacturer's warranty assigned to it pursuant to Paragraph 22. The indemnities and assumptions of liability herein contained shall survive the termination of this Lease. Each party shall, upon learning of same, give the other prompt notice of any claim or liability hereby indemnified against.

15. ***Lettering — Inventory — Reports.*** At United's election all cars may be marked with United's name designating it as owner or Lessor and may bear the following inscription: "Title to this car subject to documents recorded under Section 20c of Interstate Commerce Act." Except for renewal and maintenance of the aforesaid lettering or that showing the interest of the Lessee, no lettering or marking shall be placed upon any of the Cars by Lessee except upon the written direction or consent of United. United may at its own cost and expense inspect the Cars from time to time wherever they may be, and Lessee shall, upon request of United, but no more than once every year, furnish to United its certified inventory of all Cars then covered by this Lease and, in the event Lessee shall have elected to perform or cause to be performed all Repair Work and preventive maintenance, full, complete and detailed reports of the same and the costs and expenses incurred and/or paid herefor.

16. ***Loss, Theft or Destruction of Cars.*** In the event any Car is lost, stolen, destroyed or damaged beyond economic repair, Lessee shall, by notice, promptly and fully advise United of such occurrence. Except where United shall have received full and proper payment for such Casualty Car from a handling railroad or other party under and pursuant to Interchange Rules, Lessee shall, within 45 days after demand by United, promptly pay United the higher of (i) the same amount as is prescribed in the Interchange Rules for the loss of such Car or (ii) the Present Worth of the Total Remaining Rentals for such Car, plus the Net Scrap Value for such Car. United may, at its option, in lieu of receiving the Net Scrap Value of such Car, elect that Lessee return such Car to United either on wheels or in cars at such point as United may designate. This Lease shall continue in full force and effect with respect to any Casualty Car irrespective of the cause, place or extent of any casualty occurrence, the risk of which shall be borne by Lessee; provided, however, that this Lease shall terminate with respect to a Casualty Car on the date United shall receive all amounts and things granted it on account of such Car under this Paragraph 16 and Lessee shall have no further liability to United hereunder except for accrued rent and as such arises or exists under Paragraphs 12, 13 and 14 hereof.

17. *Return of Cars.* Upon the expiration or upon the termination of this Lease with respect to any Car (other than pursuant to Paragraph 16 hereof), Lessee shall at its sole cost and expense forthwith surrender possession of such Car to United by delivering same to United at such car shop, storage or terminal facility as it may designate by notice to Lessee. Each Car so surrendered shall be complete with all devices, appliances, appurtenances and parts with which the Cars were initially equipped, in the same or as good condition, order and repair as when delivered to Lessee, wear and tear from ordinary use and the passage of time excepted, and shall be in need of no Repair Work or other work or materials for which Lessee is liable under Paragraph 9. Until the delivery of possession to United pursuant to this Paragraph 17, Lessee shall continue to be liable for and shall pay rental at the rate being paid immediately prior to termination or expiration, and Lessee shall in addition make all other payments and keep all obligations and undertakings required of Lessee under any and all provisions of this Lease as though such termination or expiration had not occurred. If United shall so request by notice delivered prior to surrender of possession of such Car as above provided, Lessee shall provide suitable storage for such Car for a period of ninety (90) days from the date of expiration or termination and inform United of the place of storage and the reporting number of the Car there stored. Delivery in storage shall constitute delivery of possession for the purpose of this Paragraph 17 and such storage shall be at the risk of United. Upon termination of the storage period or upon request of United prior thereto, Lessee shall cause the Car to be transported to United as above provided.

18. *Default.* If Lessee shall fail to make any payment required hereunder within 20 days after same shall have become due or shall default or fail for a period of 20 days in the due observance or performance of any covenant, condition or agreement required to be observed or performed on its part hereunder, or if a proceeding shall have been commenced by or against Lessee under any bankruptcy laws, Federal or State, or for the appointment of a receiver, assignee or trustee of Lessee or its property, or if Lessee shall make a general assignment for the benefit of creditors, then and in any of said events United may:

(a) proceed by appropriate court action either at law or in equity for specific performance by the Lessee of the applicable covenants of this Lease or to recover from Lessee all payments and other sums due and owing and all damages, including specifically but not exclusively, expenses and attorneys' fees which United may sustain by reason of Lessee's default or on account of United's enforcement of its remedies hereunder;

(b) elect only to terminate the Lessee's right of possession (but not to terminate the Lease) without releasing Lessee in whole or in part from its liabilities and obligations accrued hereunder, or hereafter to accrue for the remaining term of the Lease, and thereupon require Lessee to deliver all such Cars to United at such places as it may designate or to take possession itself, of any or all of the Cars wherever same may be found. United may, but need not, require delivery of the Cars to it or repossess the Cars, and in the event the Cars are delivered to United or are repossessed, United may relet the same or any part thereof to others upon such rental and other terms as it may see fit. The proceeds of any such reletting shall first be applied to the expenses (including reasonable attorney's fees) of retaking and reletting of the Cars and delivery to the new lessee and then to the payment of rent due under this Lease. Lessee shall pay any deficiency remaining due after so applying the proceeds as the same shall accrue. United shall not be required to accept or receive any lessee offered by Lessee, or do any act whatsoever or exercise any diligence whatsoever in or about the procuring of another lessee to mitigate the damages of the Lessee or otherwise. The election by United to relet the Cars and the acceptance of a new lessee shall not operate to release Lessee from liability for any existing or future default in any other covenant or promise herein contained.

(c) declare this Lease terminated and recover from Lessee all amounts then due and payable plus, as liquidated damages for loss of bargain and not as penalty, the Present Worth, as of the date of such termination, of the excess, if any, of the total remaining rentals reserved under the Lease from

the date of such termination to the expiration date of the then current term of the Lease over the fair rental value of the Cars for such period;

(d) recover or take possession of any or all of the Cars and hold, possess and enjoy the same, free from any right of the Lessee to use the Cars for any purposes whatsoever.

The remedies provided in this Paragraph 18 in favor of United shall not be deemed exclusive but shall, where not by rule of law inconsistent with each other, be cumulative and may be availed of singly, in combination, or all together and in any order, and shall be in addition to all other remedies, in United's favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law now or hereafter in effect which might limit or modify any of the remedies herein provided to the extent that such waiver is permitted by law.

19. ***Sublease and Assignment.*** The right to assign this Lease by either party and the Lessee's right to sublease shall exist only as follows:

(a) Lessee shall have no right to assign or sublease or loan any of the Cars without the prior written consent of United; provided, however, that Lessee shall have the right to assign all of its rights under this Lease to another railroad corporation which succeeds to all or substantially all of the business of Lessee provided such successor shall expressly assume all of the obligations and liabilities of Lessee hereunder;

(b) all rights of United hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part without notice to Lessee. This Lease and Lessee's rights hereunder are and shall be subject and subordinate to any chattel mortgage, security agreement or equipment trust or other security instrument covering the Cars heretofore or hereafter created by United, provided only that so long as the Lessee is not in default under the Lease, the Cars shall not be repossessed. If United shall have given written notice to Lessee stating the identity and post office address of any assignee entitled to receive future rentals and any other sums payable by Lessee hereunder, Lessee shall make such payments to the designated assignee, when required.

The making of an assignment or sublease by Lessee or an assignment by United shall not serve to relieve such party of any liability or undertaking hereunder nor to impose any liability or undertaking hereunder upon any such assignee or sublessee except as otherwise provided herein or unless expressly assumed in writing by such sublessee or assignee.

20. *Opinion of Counsel.* Upon the request of United or its assignee at any time or times, Lessee will deliver to United a favorable opinion of counsel for Lessee, addressed to United or its assignee in form and substance satisfactory to counsel for United or its assignee, which opinion shall be to the effect that:

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation, and has corporate power to and has taken all corporate action necessary validly to enter into this Lease and carry out its obligations hereunder;

(b) this Lease has been duly executed on behalf of Lessee and constitutes the legal, valid and binding obligation of Lessee, enforceable in accordance with its terms;

(c) the Cars which are then subject to the Lease are held by Lessee under and subject to the provisions of this Lease prior to any lien, charge or encumbrance in favor of anyone claiming by, through or under Lessee; and all of the Cars were, upon delivery to Lessee, in condition satisfactory to Lessee and were accepted by Lessee in accordance with the terms of this Lease;

(d) neither Lessee nor its counsel know of any requirement for recording, filing or depositing of this Lease, other than with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, which is necessary to preserve or protect the title of United or its assignee in the United States of America; and

(e) no governmental, administrative or judicial authorization, permission, consent or approval is necessary on the part of Lessee in connection with this Lease or any action contemplated on its part hereunder.

21. *Notice.* Any notice required or permitted to be given pursuant to the terms of this Lease shall be properly given when made in writing, deposited in the United States mail, registered or certified, postage prepaid, addressed to:

United at: 2200 East Devon Avenue
Des Plaines, Illinois 60018

Lessee at: P. O. Box 368
Blue Lake, California 95525

or at such other address as either party may from time to time designate by such notice in writing to the other.

22. *Warranty — Representatives.* **United makes no warranty or representation of any kind, either express or implied, as to any matter whatsoever, including specifically but not exclusively, merchantability, fitness for a particular purpose extending beyond the description in Exhibit A, or the design, workmanship, condition or quality of the Cars or parts thereof which Cars have been accepted by Lessee hereunder; and United shall have no liability hereunder for damages of any kind, including specifically but not exclusively, special, indirect, incidental, or consequential damages on account of any matter arising from, out of, in connection with or related to a breach of warranty or representation.** United agrees to assign to Lessee such rights as it may have under warranties, if any, which it may have received from the manufacturer of any Cars or parts therefor and shall at Lessee's expense cooperate with Lessee and take such action as may be reasonably requested to enable Lessee to enforce such rights. Lessee represents that all of the matters set forth in Paragraph 20(a) through and including (e) shall be and are true and correct at all times that any Car is subject to this Lease.

23. *Governing Law — Writing.* The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois. The terms of this Lease and the rights and obligations of the parties hereto may not be changed or terminated orally, but only by agreement in writing signed by the party against whom enforcement of such change or termination is sought.

24. *Counterparts.* This Lease may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which may be evidenced by and such signed counterpart.

25. *Severability — Waiver.* If any term or provision of this Lease or the application thereof to any persons or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law. Failure of United to exercise any rights hereunder shall not constitute a waiver of any such right upon the continuation or recurrence of the situation or contingency giving rise to such right.

26. ***Terminology.*** In construing any language contained in this Lease, no reference shall be made and no significance given to paragraph titles, such titles being used only for convenience of reference. Where the context so permits, the singular shall include the plural and vice versa.

27. ***Past Due Payments.*** Any nonpayment of rentals or other sums due hereunder, whether during the period within which a default may be cured or for a longer period, and whether or not deemed a default or violation of this Lease, shall result in the obligation on the part of the Lessee to pay also an amount equal to ten per cent per annum (or if such rate may not lawfully be charged, then the highest rate which may lawfully be charged) of such overdue sum for the period of time during which overdue and unpaid.

28. ***Definitions.*** For all purposes of this Lease the following terms shall have the following meaning:

(a) "Cars" – railroad cars of the type, construction and such other description as is set forth in Exhibit A.

(b) "Interchange Rules" – all codes, rules, interpretations, laws or orders governing hire, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, adopted and in effect from time to time by the Association of American Railroads and any other organization, association, agency, or governmental authority, including the Interstate Commerce Commission and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, interpretations, laws or orders.

(c) "Average Date of Delivery" – that date which is determined by (i) multiplying the number of Cars delivered by United on each day by the number of days elapsed between such day and the date of delivery of the first Car hereunder, and (ii) adding all of the products so obtained and dividing that sum by the total number of Cars delivered and (iii) adding such quotient rounded out to the nearest whole number to the date of delivery of the first Car. The date on which delivery of a Car shall be deemed to have been made will be the day following delivery of the Car to the Lessee, as specified in Paragraph 2. A Car shall be conclusively deemed delivered to the Lessee on the earliest date shown on any of the following: (i) Certificate of Inspection and Acceptance or other writing accepting a Car signed by the Lessee; or (ii) a bill of lading showing delivery to Lessee or to a railroad for the account of Lessee.

(d) "Prevailing Labor Rate" – the per hour general labor rate established by the Association of American Railroads.

(e) "Repair Work" – All repairs, maintenance, modifications, additions or replacements required to keep and maintain the Cars in good working order and repair in accordance with and on the effective date of the requirements of all Interchange Rules.

(f) "Withdrawn Cars" – Cars as to which this Lease has been terminated by United because deemed by United to be unsuitable or uneconomical for Repair Work.

(g) "Casualty Cars" – Cars which are lost, stolen, destroyed or damaged beyond economic repair.

(h) "Replacement Cars" – Cars of substantially similar description and specifications to that set forth in Exhibit A which are substituted for Withdrawn or Casualty Cars.

(i) "Present Worth of the Total Remaining Rentals" – an amount in cash equal to the rental for a Casualty Car which would have accrued during the original term of this Lease from the date

of the casualty occurrence described in Paragraph 16 hereof to the last date of such term, discounted on a 5% per annum basis and compounded annually from the date of such casualty occurrence

(j) "Net Scrap Value" – an amount in cash equal to the average of the then current quoted prices per net ton of Number 1 Heavy Railroad Melting Steel Scrap, prevailing at Pittsburgh, Pennsylvania, Cleveland, Ohio, and Chicago, Illinois, as published in ***Iron Age*** or other reputable industrial journals, on the first day of the month preceding the month in which payment of such Net Scrap Value is required to be made, multiplied by forty-one (41) tons.

29. ***Benefit.*** Except as otherwise provided herein the covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of the parties and (to the extent permitted in Paragraph 19 hereof) their successors and assigns. Without limiting the generality of the foregoing, the indemnities of the Lessee contained in Paragraph 14 hereof shall apply to and inure to the benefit of any assignee of United, and if such assignee is a trustee or secured party under an indenture under which evidence of indebtedness has been issued in connection with the financing of the Cars, then also to the benefit of any holder of such evidence of indebtedness.

30. ***Recording.*** Upon request by United, Lessee shall join in the execution of a memorandum or short form of this Lease for use in recordation under Section 20c of the Interstate Commerce Act or such other recordation as United deems appropriate. Said memorandum or short form of Lease shall describe the parties, the Cars being leased and the term of this Lease including any options to extend and shall incorporate the Lease by reference.

IN WITNESS WHEREOF, United and Lessee have duly executed this Lease as of the day and year first above written.

UNITED STATES RAILWAY LEASING COMPANY
an Illinois corporation

By Ralph E Bell
Vice President

[SEAL]

ATTEST:

Asst. Secretary

THE ARCATA AND MAD RIVER RAIL ROAD COMPANY

a(n) California corporation

By
President

[SEAL]

ATTEST:

D. L. Ericson
Assistant Secretary

USRL-RME – 3/75

STATE OF ILLINOIS }
COUNTY OF COOK } ss

On this 16th day of July, 1976, before me personally appeared Ralph E. Bell, to me personally known, who being by me duly sworn says that he is Vice President of the United States Railway Leasing Company, and Laurence L. Pringle to me personally known to be the Assist Secretary of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Mary Ellen Zander
Notary Public
MY COMMISSION EXPIRES
JUNE 19, 1979

STATE OF WASHINGTON }
COUNTY OF KING } ss

On this 24th day of June, 1976, before me personally appeared G. L. Oswald, to me personally known, who being by me duly sworn, says that he is President of The Arcata and Mad River Rail Road Company, and D. L. Ericson to me personally known to be the Assistant Secretary of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Mary D. Banks
Notary Public

EXHIBIT A

Lease dated April 13, 19 76, by and between United States Railway Leasing Company, ("United") and Arcata and Mad River RR Co. ("Lessee")

TYPE AND DESCRIPTION OF CAR:

New 52' 5", 70-ton Side Slider Box Cars

NUMBER OF CARS:

Twenty (20)

INTERIOR EQUIPMENT:

None

SPECIAL LININGS:

None

PERMITTED LADING USE:

Building Products

REPORTING NUMBERS AND MARKS:

AMR 5001 - 5020, inclusive

SPECIFICATIONS DESIGNATED BY LESSEE:

EXHIBIT B

Lease dated April 13, 19 76, by and between United States Railway Leasing Company ("United") and The Arcata and Mad River Rail Road Company ("Lessee")

CERTIFICATE OF INSPECTION AND ACCEPTANCE

_____, 19____

United States Railway Leasing Company
2200 East Devon Avenue
Des Plaines, Illinois 60018

Gentlemen:

The undersigned, being a duly authorized inspector for Lessee, hereby certifies that he has made an inspection of twenty (20) Cars bearing numbers as follows:

AMR

or has, on behalf of Lessee, elected to forego such inspection all as provided in the Lease, and hereby accepts such Cars for the Lessee pursuant to the Lease; that each of said Cars is plainlv marked in stencil on both sides of each Car with the words

UNITED STATES RAILWAY LEASING COMPANY
OWNER AND LESSOR

Title to this Car subject to documents recorded
under Section 20c of Interstate Commerce Act

in readily visible letters not less than three-quarters inch (3/4") in height; and that each of said Cars conforms to, and fully complies with the terms of said Lease and is in condition satisfactory to the Lessee.

THE ARCATA AND MAD RIVER RAIL ROAD COMPANY

_____
Lessee

Rider consisting of one (1) pages attached to and made a part of Lease dated April 13, 19 76 by and between United States Railway Leasing Company ("United") and THE ARCATA AND MAD RIVER RAIL ROAD COMPANY ("Lessee").

Upon receipt of written notice, 120 days prior to the fifth anniversary of the average date of delivery, as described by Paragraph 28, Lessee shall have the option to terminate this lease as of the fifth anniversary of the average date of delivery.

If written notice of termination is not received, this lease will continue in effect for the full ten (10) year term.

If written notice of termination is received, there will be a penalty of $1,500.00 per car levied against the Lessee for early termination.

Lessee THE ARCATA AND MAD RIVER RAIL ROAD COMPANY United Ralph E Bell

By [illegible]
President

Page

CERTIFICATE

To: UNITED STATES RAILWAY LEASING COMPANY*
~~UNITED STATES RAILWAY EQUIPMENT CO.~~
~~U. S. RAILWAY MFG. CO.~~.

The undersigned, being a duly elected, qualified and acting _____ Secretary of THE ARCATA AND MAD RIVER RAILROAD COMPANY (the "Railroad") does hereby certify, for, on behalf of, and in the name of the Railroad as follows:

1. The Railroad is an interstate carrier by rail for hire.

2. The rail cars described below have been (leased) ~~(sold)~~* by (United States Railway Leasing Company) ~~(United States Railway Equipment Co.)~~ ~~(U. S. Railway Mfg. Co.)~~* to Railroad, and said cars are intended for actual use and movement in interstate commerce:

No. of Cars	Description	Car Reporting Marks
20	New 52' 5", 70-ton Side Slider Box Cars	AMR 5001-5020, inclusive

DATED:

August 11, 1976

_____ Secretary

*Strike inappropriate material