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INTERSTATE COMMERCE COMMISSION  
EQUIPMENT LEASE AGREEMENT

THIS AGREEMENT, made as of this 15th day of August, 1975, between SEATTLE-FIRST NATIONAL BANK, a national banking association (hereinafter the "Lessor") and THE WESTERN PACIFIC RAILROAD COMPANY, a California corporation (the "Lessee");

WHEREAS, Lessor and Lessee have entered into a Railroad Equipment Purchase Agreement of even date herewith (hereinafter called "Purchase Agreement"), and

WHEREAS, Lessor, Lessee and UNARCO INDUSTRIES, INC., EQUIPCO DIVISION (hereinafter called "Reconstructor") have entered into a Railroad Equipment Reconstruction Agreement of even date herewith (hereinafter called "Reconstruction Agreement"), which Lease, Purchase Agreement and Reconstruction Agreement may be collectively hereinafter referred to as the "Agreement."

WITNESSETH:

1. Request to Purchase.

Lessee requests Lessor to purchase for Lessee forty-five (45) boxcars of the type and description as set forth in Exhibit A to this Agreement. The foregoing items of equipment are hereinafter called collectively the "Boxcars."

2. Purchase Conditions.

2.1 In addition to the conditions contained in the Reconstruction Agreement, Lessor's obligation to purchase any

Boxcars, or make any payment therefor, is subject to the following conditions precedent having been complied with to the satisfaction of Lessor:

(a) No change shall have occurred after the date of this Lease in applicable law or regulations thereunder or administrative interpretations thereof which would make it illegal for Lessor to make such a purchase.

(b) There shall exist no event of default, or event which with notice, or lapse of time, or both, would constitute an event of default under this Lease.

(c) The following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect on the date of payment for each item of Equipment or each cost:

(i) The Lease;

(ii) The Reconstruction Agreement;

(iii) A full Warranty Bill of Sale in form and substance satisfactory to Lessor and its counsel covering each Boxcar to be paid for hereunder.

(d) Lessor shall have received a favorable opinion from counsel for the Lessee, satisfactory in scope and substance to Lessor as to the corporate authority of Lessee and such other matters as Lessor or its counsel may request.

(e) The Lessor shall have received appropriate certificates or other evidence of insurance as required by Section 10 hereof.

(f) Lessor shall have received in form and substance satisfactory to the Lessor: a copy of resolutions of the Board of Directors of the Lessee, certified by the Secretary or an Assistant Secretary of the Lessee, duly authorizing the Lease by the Lessee of the Boxcars under this Lease and the execution, delivery and performance by the Lessee of this Lease, the Reconstruction Agreement and each Bill of Sale for the Boxcars, together with an incumbency certificate as to the person or persons authorized to execute and deliver said documents and their respective signatures;

(g) Lessee at its own expense shall have caused the Lease (a) to be duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act, 49 U.S.C. § 20c, and (b) to be duly deposited in the office of the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada, with notice of such deposit having been published in the Canada Gazette (or provision having been made therefor) in accordance with said Section 86;

(h) Lessor shall have received such other documents and evidence with respect to the transaction as Lessor

or its counsel may reasonably request in order to establish the consummation of the transactions contemplated by this Lease and the taking of all corporate actions in connection therewith.

2.2 In the event the conditions precedent contained in this Paragraph 2 are not satisfied and, therefore, Lessor is not obligated to accept delivery of or to make payment for any Boxcars or the reconstruction thereof under the Reconstruction Agreement, the Lessor shall transfer to Lessee, and Lessee hereby accepts, all Lessor's obligation to purchase the Boxcars or to pay the reconstruction cost thereof, and Lessee shall assume all such obligations and liabilities and will hold Lessor harmless from and against any and all liabilities arising in connection with purchase or lease of the Boxcars and/or said Reconstruction Agreement.

3. Acquisition and Delivery of Equipment.

3.1 Inspection and Acceptance. Lessor will cause each Boxcar to be delivered to the Lessee at the point or points at which such Boxcar is delivered to Lessor under the Reconstruction Agreement. Lessor hereby appoints Lessee as its agent for the inspection and acceptance of, and approval of all invoices relating to, the Boxcars pursuant to the Reconstruction Agreement. Upon such delivery, Lessee will inspect and test each Boxcar tendered for delivery and, if the item meets Lessee's specifications, Lessee will accept delivery thereof and shall notify

Lessor in writing of such acceptance within five days after tender for delivery. Upon such acceptance such Boxcar shall thereafter be subject to all the terms and conditions of this Lease.

3.2 Effect of Acceptance or Lessor Purchase. Lessee's written notification to Lessor of acceptance of any Boxcar and Lessee's request set forth in Paragraph 1 hereof that Lessor pay the reconstruction cost thereof shall conclusively establish as between Lessor and Lessee (but without prejudice to rights either of them may have against any third party) that such Boxcar is acceptable to and accepted by Lessee (notwithstanding any defect with respect to design, manufacture, condition or in any other respect), that such Boxcar is personal property in good order and condition and conforms to specifications and has not been used or placed in service by any party prior to its acceptance by Lessee.

4. Term.

4.1 Interim Term. The Interim Term of this Lease shall commence as to each Boxcar upon Lessee's acceptance of that Boxcar from the Reconstructor. Any Boxcar not delivered, accepted and settled for under the Reconstruction Agreement and accepted by the Lessee under this Lease on or prior to December 31, 1975, shall be excluded herefrom and Lessor shall have no obligation to purchase and pay reconstruction cost or lease the same to Lessee. The Interim Term shall end on December 31, 1975.

4.2 Full Term. The Full Term of this Lease shall commence January 1, 1976; and shall cease December 31, 1987, unless earlier terminated pursuant to this Lease Agreement.

5. Purchase and Hold Harmless Agreement.

If for any reason Lessee does not accept any Boxcar by December 31, 1975, Lessee will on request repurchase such Boxcar from Lessor for the amount of the purchase price to Lessor, together with all other amounts paid or incurred by Lessor in connection with the purchase or reconstruction of such Boxcar and together with Interim Rental on such item to the date of Lessee's purchase. Whether or not Lessee accepts any Boxcar, Lessee agrees to indemnify and hold harmless Lessor from all loss, injury, expense or damage which Lessor may incur or suffer in connection with such Boxcar prior to Lessee's acceptance thereof.

6. Rent.

6.1 Rent for Equipment. Lessee will pay Lessor for each Boxcar:

(a) Interim Rent payable in arrears at the lease rate factor divided by 365 on the daily outstanding principal balance of purchase price, reconstruction cost or other costs expended by Lessor, including expenses properly payable by Lessee pursuant to Paragraph 21.6 hereof for the period beginning when Lessor pays the purchase price or cost or any portion thereof for such Boxcar and ending on

December 31, 1975. Accrued Interim Rent shall be paid on October 1, 1975 and January 1, 1976.

(b) Periodic rent payable in twenty-four (24) semi-annual installments commencing July 1, 1976 in an amount equal to 6.392% of Lessor's Cost; provided, however, that the last installment of Periodic Rent due for the Term of this Lease (as defined in Paragraph 4.2 hereof) shall be payable on December 31, 1987. Lessor's Cost for each Boxcar shall be defined as the sum of the purchase price of the Boxcar from Lessee to Lessor, the Reconstruction Price of that Boxcar as defined in the Reconstruction Agreement, and other applicable costs including expenses properly payable by Lessee pursuant to Paragraph 21.6 hereof attributable on a proportional basis to that Boxcar unless otherwise reimbursed to Lessor. Before the due date of the first installment of Periodic Rent, Lessor will furnish Lessee a schedule showing the amounts and due dates of Periodic Rent determined as aforesaid.

6.2 Place of Payment. All payments to Lessor shall be made at Lessor's office in Seattle, Washington, or at such other place as Lessor may designate in writing.

6.3 Additional Sums Payable by Lessee. In addition to the Rent payable under Paragraph 6.1:

(a) Taxes. Lessee agrees to pay all taxes, assessments and other governmental charges of whatsoever kind or character and by whomsoever payable on or relating

to each Boxcar and on the sale, ownership, use, shipment, transportation, delivery or operation thereof or the exercise of any option, election or performance of any obligation by Lessee hereunder, which may be accrued, levied, assessed or imposed during the lease term or which remain unpaid as of the date of delivery of such Boxcar to Lessee, and all taxes of any kind imposed by any federal, state or local taxing authority against Lessor on or measured by any amount payable hereunder, except taxes on net income imposed by the United States or the State of Washington or local taxing authority of the State of Washington or which would have been imposed by such state or local taxing authority without regard to apportionment to any other state. Lessee will comply with all State and local laws requiring the filing of ad valorem tax returns on the Boxcars and, if any tax is to be assessed or billed to Lessor, Lessee will cause such billings to be made to Lessor in care of Lessee. Lessee will on request of Lessor submit written evidence of the payment of all obligations mentioned in this Paragraph. Except for amounts to be paid to Lessor to reimburse it for payments made by Lessor which are the obligation of Lessee hereunder, Lessee shall not be obligated to pay any amount under this Paragraph so long as it shall in good faith and by appropriate proceedings contest the validity or the amount thereof, unless such contest would adversely affect the title of Lessor to any Boxcar or would subject any

Boxcar to forfeiture or sale. Lessee agrees to indemnify Lessor against any loss, claim, demand and expense, including legal expense, resulting from such non-payment or contest.

In the event Lessor is required to and does make any payment under this paragraph Lessee shall pay the Lessor an amount which, after taking into account all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or a foreign, state or local government taxing authority (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expenses indemnified against, and of any other such taxes), shall be equal to the amount of such payment. The sum payable pursuant to this paragraph shall be payable thirty (30) days after Lessor delivers to Lessee the verification reasonably satisfactory to Lessee that indemnity is due pursuant to this paragraph for the Lessor including without limitation, a statement describing in reasonable detail the circumstances requiring indemnification hereunder, and setting forth in reasonable detail the computation of the amount thereof.

(b) Maintenance, Servicing and Assignment of Warranty. Lessee will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each Boxcar during the Lease term, including but not

limited to repairs, maintenance, storage and servicing. Lessor hereby transfers and assigns to Lessee for and during the term of this Lease all of its right, title and interest in, under and to any reconstruction warranty, whether express or implied, in respect to the Boxcars, to the extent the same is assignable and for so long as no event of default has occurred and is continuing. All claims or actions on any warranty so assigned shall be made and prosecuted by Lessee at its sole expense and Lessor shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be made payable jointly to Lessee and Lessor. All proceeds from such recovery shall be used to repair or replace the Boxcars. Lessor further authorizes Lessee to obtain whatever service is customarily rendered by the Reconstructor, provided that no such service shall be at the expense of Lessor.

6.4 Net Lease. This Lease is a net Lease and Lessee shall not be entitled to any abatement of rent or reduction thereof, including but not limited to abatements or reductions due to any present or future claims of Lessee against Lessor or against the Reconstructor of the Boxcars nor, except as otherwise expressly provided herein, shall this Lease terminate or the respective obligations of Lessor or Lessee be otherwise affected by reason of any defect in or failure of title of Lessor to the Boxcars, or any defect in or damage to or loss or destruction of

all or any of the Boxcars from whatsoever cause, the taking or requisition of the Boxcars by condemnation or otherwise, the lawful prohibition by Lessor of Lessee's use of the Boxcars, the interference with such use by any person other than Lessor, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Rents and other amounts payable by Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Paragraph 14.2 hereof or until the Boxcars be surrendered pursuant to Paragraph 15 hereof.

7. Ownership and Marking of the Boxcars.

7.1 Duty to Mark. Lessee acknowledges and agrees that it has not and, by execution and performance hereof it will not, have or obtain any title to the Boxcars or any other interest except solely as Lessee hereunder and subject to all the terms hereof. Lessee agrees that on or before its delivery Lessee will cause each Boxcar (to the extent practicable and, to the extent not practicable, then each major component) to be plainly, permanently and conspicuously marked by stenciling or by a metal tag or plate or decal affixed thereto with the following legend:

Property of and Leased from Seattle-First  
National Bank Subject to an Agreement Filed

Under the Interstate Commerce Act, Section  
20c.

Lessee agrees to replace any such marking which may be removed or destroyed or become illegible and to keep the Boxcars free from any markings or labelings which might be interpreted as a claim of ownership thereof by Lessee or by any other person except Lessor or its assigns; provided, however, that the Boxcars may be lettered with the names and initials or other insignia customarily used by the Lessee or its affiliates.

7.2 Personal Property. It is expressly understood that the Boxcars may not be attached or affixed to realty without Lessor's prior written consent and in any event the Boxcars shall remain personal property notwithstanding the manner in which it may be attached or affixed to realty and, upon termination of the Lease term, Lessee shall have the duty and Lessor the right at the sole cost and expense of Lessee to remove the Boxcars from the premises whereon the same is located, whether or not affixed or attached to the realty or any building, and Lessor shall not be liable for any damage caused to the realty or any building by the removal of the Boxcars and Lessee agrees to indemnify Lessor against any loss, claim, demand or expense, including legal expense, resulting from such removal.

8. Disclaimer of Warranties.

Lessee acknowledges and agrees (a) that the Boxcars are of a size, design, capacity and remanufacture selected by Lessee; (b) that Lessor is not a manufacturer or Reconstructor thereof or

a dealer in property of such kind; and (c) AS BETWEEN LESSOR AND LESSEE, LESSEE LEASES THE BOXCARS AS-IS AND LESSOR MAKES NO REPRESENTATION OR WARRANTY OR COVENANT WITH RESPECT TO FITNESS, MERCHANTABILITY, CONDITION, QUALITY, DURABILITY OR SUITABILITY OF THE BOXCARS IN ANY RESPECT OR IN CONNECTION WITH OR FOR THE PURPOSES OR USES OF LESSEE OR AS TO LESSOR'S TITLE THERETO OR LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OR OMISSIONS OF LESSOR) OR ANY OTHER REPRESENTATION OR WARRANTY OR COVENANT OF ANY KIND OR CHARACTER EXPRESS OR IMPLIED WITH RESPECT THERETO.

9. Lessee's Indemnities.

9.1 General Indemnities. Lessee will defend, indemnify and hold harmless Lessor from and against (a) any and all loss or damage of or to the Boxcars, usual wear and tear excepted; and (b) any claim, cause of action, damage, liability, cost or expense (including legal fees and costs) to which they may be subject or which may be incurred in any manner by or for the account of any of them (i) relating to the Boxcars or any part thereof, including without limitation the construction, purchase, delivery, acceptance or rejection, installation, ownership, sale, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by Lessor or Lessee); (ii) by reason or as a result

of any act or omission of Lessee for itself or as agent or attorney-in-fact for Lessor hereunder; (iii) as a result of claims for patent infringement; or (iv) as a result of claims for strict liability in tort. If either party hereto shall have knowledge of any claim or liability hereby indemnified against, it shall give prompt written notice thereof to the other party.

9.2 Tax Indemnities. If the Lessor shall (except as herein below provided) fail to have the right to claim or shall lose the right to claim or shall suffer a disallowance of or shall be required to recapture or shall be disallowed the full use of the investment tax credit now allowed by Section 38 of the Internal Revenue Code of 1954, as amended, (the "Code") for "new Section 38 property" with respect to that portion of the Lessor's Cost which represents payments made under the Reconstruction Agreement (which for purposes of this indemnity is represented by Lessee to be not less than 80% of Lessor's total cost of the Boxcars), and a depreciation or amortization deduction with respect to Lessor's Cost of any Boxcar, in computing its taxable income for the period this Lease is in effect (utilizing for the full amount of such Lessor's Cost on ADR depreciation life of 12 years and the asset depreciation range system now provided by Treas. Regs. Section 1.167(a) and computed (i) as to that portion of Lessor's Cost which represents payments made under the Purchase Agreement, under the most rapid method of depreciation available pursuant to Section 167 of the Code for used equipment, and (ii) as to that portion of Lessor's Cost representing amounts paid

under the Reconstruction Agreement, in accordance with any of the methods of depreciation now provided by Section 167(b) of the Code), except for any inability to obtain or to have the right to claim such deductions because of the occurrence of any of the following events:

(a) Casualty shall occur with respect to such Boxcar, whereby Lessee is required by the terms hereof to pay, and shall pay in full, the Stipulated Loss Value; provided, however, that the indemnities set forth in this paragraph shall continue in effect, notwithstanding such payment of Stipulated Loss Value, with respect to the period beginning on the delivery date of such Boxcar and ending on the date of payment of said Stipulated Loss Value;

(b) at any time while such Boxcar is leased hereunder, and while no Event of Default has occurred and is continuing unremedied, without the written consent of Lessee, Lessor shall voluntarily or (except in a case constituting a Casualty Occurrence) involuntarily transfer legal title to such Boxcar to anyone or shall dispose of any interest in the Boxcar or shall reduce its interest in the profits from the Boxcar, and such transfer, disposal or reduction by the Lessor shall be the cause of the Lessor's inability to obtain or to have the right to claim or of the disallowance of such investment tax credit or depreciation or amortization deduction;

(c) Lessor shall fail to claim such investment

tax credit or such depreciation or amortization deduction in its income tax returns for the appropriate year or shall fail to follow the proper procedure in claiming such credit or deduction, and such failure to claim or to follow such procedure, as the case may be, shall preclude the Lessor from claiming such credit or depreciation or amortization deduction;

(d) the Lessor shall fail to have sufficient income to benefit from the deduction of such investment tax credit, depreciation or amortization;

(e) the Lessor shall fail to take timely action in contesting a claim made by the Internal Revenue Service with respect to the disallowance of such investment tax credit or such depreciation or amortization deduction, and the failure to take such action in a timely manner shall preclude the right of such party to contest such claim, or shall fail to take action to contest any such claim after a timely request to conduct such contest has been given by Lessee to Lessor (provided that the Lessee shall upon demand of the Lessor pay to the Lessor the expenses of any such contest as a condition of prosecuting the same); or Lessor, without the prior written consent of Lessee, release, waive, compromise or settle any action or proceeding taken in accordance with this sub-paragraph (e); or

(f) any other act solely of Lessor which directly causes the loss of any of the aforesaid tax benefits, provided, however, that the execution and delivery of this Lease and the other documents herein referred to and the carrying out of the transactions contemplated herein and therein in accordance with the terms of this Lease and such other documents shall not be deemed to have caused the loss of such tax benefit under this sub-paragraph (f).

then Lessee shall pay Lessor as Supplemental Rent an amount which, after deduction of all taxes required to be paid by Lessor in respect of the receipt thereof under the laws of the United States or any state, city or other political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of any other such taxes), in the reasonable opinion of the Lessor, will cause net-after tax return on the Lessor's investment in the Boxcars to be equal to the net-after tax return on such investment which the Lessor would have realized had the Lessor had the full tax benefit of all investment tax credit and all amortization or accelerated depreciation deductions described in this paragraph (after taking into account the amount of any interest or penalties which may be assessed against the Lessor in connection with the failure to obtain or have the right to claim, or the disallowance of, such investment tax credit or such depreciation, or amortization deduction). The intent of this indemnity

is to provide Lessor the same after-tax rate of return as if no such tax benefits had been lost or disallowed.

10. Insurance.

The Lessee will at all times while this Lease is in effect, at its own expense, cause to be carried and maintained insurance in respect of the Boxcars at the time subject hereto in amounts and against risks customarily insured against by railroad companies on similar equipment, and in any event in amounts and against risks comparable to those insured against by the Lessee on equipment owned by it, and Lessee's casualty insurance policy shall provide by its terms that it shall be non-cancellable without 30 days' prior written notice to Lessor of the insurer's intent to so cancel. Lessee shall further carry public liability insurance showing Lessor as an additional insured, and payable to Lessor and Lessee as their interest may appear. Such public liability insurance shall be maintained in an amount not less than \$5,000,000, or in such other amount as the Lessor and Lessee shall mutually agree, which agreement by the Lessor shall not be unreasonably withheld. The Lessee shall furnish to the Lessor such copies of the policies, or other evidences of such insurance as the Lessor shall reasonably request.

All casualty insurance proceeds received by the Lessee may be retained by the Lessee if the Lessee has fully complied with all of its obligations and indemnifications hereunder in respect of the risk insured against for which such proceeds were paid by

the insurance company, otherwise such proceeds shall be paid over to Lessor as its interest may appear.

11. Use.

So long as Lessee shall not be in default under this Lease, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the terms of this Lease. Lessee warrants that the Boxcars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner that will not adversely affect the title of Lessor to any Boxcar or subject the same to forfeiture or sale or subject Lessor to risk of criminal penalties. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Boxcars, title thereto, or any interest therein or in this Lease and will keep the Boxcars free and clear of any and all liens, charges and encumbrances which may be levied against or imposed upon it (other than encumbrances arising from acts of Lessor) and will if requested by Lessor obtain and deliver to Lessor concurrently with the delivery of the Boxcars a

waiver of any such liens or claims as to the Boxcars in recordable form satisfactory to Lessor, provided, that, nothing herein shall prohibit any lien attaching to the leasehold interest of Lessee under this Lease by reason of any existing or future mortgage to which Lessee is a party covering substantially all of Lessee's railroad property. Lessee will promptly, at its own expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance, security interest, or claim if the same shall arise at any time. The Lessee shall use or cause the use of the Boxcars only in the United States, except that the Lessee may from time to time use or cause to be used in Canada any Boxcar or Boxcars, provided, that, during any calendar year the total use of the Boxcars in Canada shall not exceed, on an aggregate basis, more than 5% of the total aggregate use of the Boxcars in the United States and Canada and, upon the request of the Lessor, the Lessee shall, for any calendar year specified in such request, furnish to the Lessor, within 60 days after such request, a certificate setting forth the aggregate use of the Boxcars in Canada compared with the total aggregate use of the Boxcars in the United States and Canada.

12. Maintenance and Improvement.

Lessee shall at all times at its own expense keep the Boxcars in good and efficient working order, condition and repair, reasonable wear and tear excepted. Title to any alteration,

improvement, addition or modification, other than those which may be removed without material damage to the Boxcar shall be and remain in Lessor. The Lessee shall, at its own expense, make or cause to be made all inspections, maintenance and repairs of the Boxcars as may be required by any applicable governmental laws or regulations, or as may be required by the insurance policies pertaining to the Boxcars. Lessee shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Boxcars in good operating condition throughout the term of this Lease and to comply with the above requirements. Any alterations, improvements, additions or modifications which may be removed without material damage to Boxcars may be removed by the Railroad on the termination of this Lease, provided the Railroad is not otherwise in default hereunder, and further provided that Lessor shall have the option to purchase the same from Lessee at the then fair market value of such alternation, improvement, addition or modification. Lessee shall give Lessor not less than 30 days' written notice prior to the termination of this lease of any improvement, alteration, addition or modification which it desires to remove from the Boxcar, together with a statement of its then fair market value.

13. Loss and Damage; Payment for Casualty Occurrences.

In the event that any Boxcar shall become worn out, lost, stolen, destroyed, irreparably damaged from any cause whatsoever

or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences) during the term of this Lease, the Lessee shall promptly and fully notify the Lessor with respect thereto. On the rental payment date next succeeding such notice, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Boxcar or Boxcars due and payable on such date, plus a sum equal to the Stipulated Loss Value Schedule attached hereto as Exhibit B of such Boxcar or Boxcars as of the date of such payment in accordance with the schedule. Upon (but not prior to) the making of such payment by the Lessee in respect of any Boxcar, the rental for such Boxcar shall thereafter cease to accrue, the term of this Lease as to such Boxcar shall terminate and (except in the case of the loss, theft or complete destruction of such Boxcar) the Lessor shall be entitled to recover possession of such Boxcar. The Lessor hereby appoints the Lessee as its agent to dispose of any Boxcar suffering a Casualty Occurrence or any component thereof at the best price obtainable on an "as is, where is" basis. If the Lessee shall have previously paid the Stipulated Loss Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent that such proceeds do not exceed the Stipulated Loss Value of such Boxcar, and shall pay any excess to the Lessor. Except as hereinabove in this paragraph provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the

risk of, any Casualty Occurrence to any Boxcar from and after delivery and acceptance thereof by the Lessee hereunder.

If the Lessor shall receive any condemnation payments after the Lessee shall have made payments pursuant to this paragraph without deduction for such condemnation payments, the Lessor shall pay such condemnation payments to the Lessee up to an amount equal to the Stipulated Loss Value with respect to a Boxcar paid by the Lessee unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under this Lease. The balance of such condemnation payments shall remain the property of the Lessor. Any condemnation payments received with respect to a Boxcar not suffering a Casualty Occurrence shall be the property of the Lessor.

14. Events of Default and Remedies.

14.1 Events of Default. Each of the following shall constitute an event of default:

(a) Default in the performance of the covenants of Paragraph 5 hereof, or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or

(c) Default in the payment of any installment of

Rent continuing for more than ten (10) days, or

(d) If any representation or warranty made by Lessee herein or in any statement or certificate furnished by Lessee in connection with this agreement or the delivery of any Boxcar hereunder proves untrue in any material respect as of the date of the making thereof, and shall not be made good within thirty (30) days after notice thereof to Lessee, or

(e) A decree or order by a court having jurisdiction in the premises shall have been entered and remain in force undischarged and unstayed for sixty (60) days:

(i) Adjudging the Lessee a bankrupt or insolvent,

(ii) Approving as properly filed a petition seeking reorganization of the Lessee under the Bankruptcy Act or any other state or federal law,

(iii) Directing the appointment of a receiver or liquidator or trustee in bankruptcy or insolvency of the Lessee or of the property of the Lessee, or

(iv) Directing the winding up or liquidation of the affairs of the Lessee;

(f) The Lessee shall:

(i) Institute proceedings to be adjudged a voluntary bankrupt or insolvent,

(ii) Consent to the filing of a bankruptcy or insolvency proceeding against it,

(iii) File a petition or answer or consent seeking reorganization or readjustment under the Bankruptcy Act or any other state or federal law, or otherwise invoke any law for the aid of debtors, or consent to the filing of any such petition,

(iv) Consent to the appointment of a receiver or liquidator or trustee in bankruptcy or insolvency of its property or any substantial portion of its property,

(v) Make any assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or,

(vi) Take any corporate action in furtherance of any of the aforesaid purposes;

(g) A petition against Lessee in a proceeding under bankruptcy laws or other insolvency laws (as now or hereafter in effect) in any jurisdiction within the United States or elsewhere shall be filed and shall not be withdrawn or dismissed within ninety (90) days thereafter, or if, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to Lessee any court of competent jurisdiction shall assume jurisdiction, custody or control of Lessee or of any substantial part of the property of any of them, and such

jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of ninety (90) days.

14.2 Remedies. The occurrence of any event of default, (other than a default limited solely to a breach or failure of the warranty or representation contained in paragraphs 16(k), (l) (except for that portion thereof relating to use of the Boxcars outside the United States) and (m)), shall terminate any obligation on the part of Lessor to purchase or lease any Boxcar not yet purchased by Lessor or accepted by Lessee and, when any event of default has occurred and is continuing, Lessor at its option may

(a) Proceed by appropriate court action to enforce performance by Lessee of this agreement or to recover damages for a breach thereof (and Lessee agrees to bear Lessor's costs and expenses, including legal fees, in securing such enforcement), or

(b) By notice in writing to Lessee to terminate the Lease or Lessee's rights of possession of the Boxcars or both, whereupon all right, title and interest of Lessee in the Boxcars shall terminate but Lessee shall remain liable as hereinafter provided; and thereupon Lessor may by its agents enter upon any premises where the Boxcars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee;

but Lessor shall nevertheless have a right to recover from Lessee any and all amounts which under the terms of the Lease may then be due or which may have accrued to the date of such termination and also to recover forthwith from Lessee (i) as damages for the loss of the bargain and not as a penalty and in lieu of any claim for Periodic Rent arising from and after the date of such termination a sum with respect to the Boxcars which represents the excess of (A) the present worth at the date of such termination of all Rents for the Boxcars which would otherwise have accrued hereunder from the date of such termination to the end of the term of the Lease, over (B) the then present worth of the then fair rental value of the Boxcars for such period computed by discounting from the end of such term to the date of such termination rentals which Lessor reasonably estimates to be obtainable for use of the Boxcars during such period, the present worth to be computed in each case on a basis of 6% per annum discount, from the respective dates upon which Rents would have been payable hereunder had this Lease not been terminated, (ii) any damages and expenses, including legal fees, in addition thereto which Lessor shall have sustained by reason of breach of any covenant of the Lease other than for payment of Rent and such legal and other expenses as shall be expended or incurred in the seizure, storage, rental or sale of the Box-

cars or in the enforcement of any right or privilege hereunder, or in any consultation or action in such connection, and (iii) interest on all said amounts from the time due until paid at the lesser of a rate equal to 12% per annum, or the highest rate allowed by law.

The remedies herein provided in favor of Lessor shall not be deemed to be exclusive but shall be cumulative and in addition to all other remedies in its favor existing in law, in equity or in bankruptcy; provided, however, that the measure of damages recoverable against Lessee shall in any case be calculated in accordance with Paragraph (b) above.

In addition to any other remedy granted herein, if this Lease shall terminate pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Boxcars to the Lessor. For the purpose of delivering possession of any Boxcar or Boxcars to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith place such Boxcars upon such storage tracks of the Lessee as the Lessor reasonably may designate;

(b) permit the Lessor to store such Boxcars on such tracks at the risk of the Lessee until such Boxcars have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates

or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Boxcars as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Boxcars. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Boxcar to inspect the same.

15. Lessee's Purchase, Extension, or Redelivery.

15.1 Lessee's Option To Purchase. Provided that this Agreement has not been earlier terminated and that no event has occurred and is continuing which constitutes an Event of Default as defined in this Agreement or would constitute such an Event of Default but for the requirement that notice be given or lapse of time or both, the Lessee may, by written notice delivered to the Lessor not less than 90 days prior to the end of the initial lease term or any renewal thereof, elect to purchase all, but not less than all, of the Boxcars, at the end of such Lease term for a purchase price equal to the "Fair Market Value" of the Boxcars as of the end of such Lease term. Fair Market Value shall be

determined on the basis of and shall be equal in amount to the value which would obtain in an arm's length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell. If on or before 60 days prior to the expiration of the Lease term, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Boxcars, such value shall be determined in accordance with the foregoing definition by a qualified independent appraiser mutually selected by the Lessor and Lessee. The determination so made shall be binding upon both the Lessor and the Lessee. The expenses and fee of the Appraiser shall be borne by the Lessee.

15.2 Lessee's Option To Renew. Provided that this Agreement has not been earlier terminated and that no event has occurred and is continuing which constitutes an Event of Default as defined in this Agreement or would constitute such an Event of Default but for the requirement that notice be given or lapse of time or both, the Lessee may, by written notice delivered to the Lessor not less than 90 days prior to the end of the initial Lease term or any renewal thereof elect to renew the term in respect to the Boxcars for one year at their "Fair Rental Value", which rental shall be paid semiannually in arrears. Fair Rental Value shall be determined on the basis of and shall be equal to the rental which would obtain in an arm's length transaction

between an informed and willing lessee (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing lessor under no compulsion to lease and in such determination, costs of removal from the location of current use shall not be a deduction from such value. If on or before 60 days prior to the expiration of the Lease term the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Units such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser mutually selected by the Lessor and Lessee.

15.3 Redelivery. At the expiration or termination of this Lease, Lessee will surrender possession of the Boxcars to Lessor in good order and repair, ordinary wear and tear excepted, by delivering same to Lessor at such location and on such tracks as Lessor shall reasonably designate, or if no other such designation be made, at Seattle, Washington. If so requested by Lessor, such Boxcars shall be, at Lessee's expense, suitably prepared for shipment by a common carrier chosen by Lessor. Lessee shall reimburse the Lessor for any expenditure necessary to place the Boxcars in the condition required by this paragraph upon redelivery. Without Lessor's prior written consent Lessee will not use any Boxcar beyond the term of this Lease. Any such use to which Lessor gives consent shall constitute an extension of this Lease terminable by either party on thirty days' written notice, unless the parties shall otherwise expressly agree in

writing. In the event any Boxcar is not returned pursuant hereto, then an event of loss shall be deemed to have occurred and Lessee shall pay the higher of then Fair Market Value or the Stipulated Loss Value for such Boxcar.

16. Representations, Warranties, and Covenants of Lessee.

Lessee represents, warrants and covenants that:

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of California and has the corporate power and authority, and is duly qualified and authorized to do business wherever necessary, to carry on its present business and operations and to own or hold under lease its properties and to perform its obligations under this Lease.

(b) Lessee has the full power, authority and legal right to execute, deliver and perform the terms of this Lease and this Lease has been duly authorized by all necessary corporate action of Lessee and constitutes a valid and binding obligation of Lessee, enforceable in accordance with its terms.

(c) There is no law and no charter, bylaw or preference share provision of Lessee and no provision in any existing mortgage, indenture, contract or agreement, order, judgment or decree binding on Lessee which would be contravened by the execution, delivery or performance by Lessee of this Lease.

(d) No mortgage, deed of trust, charter, lease, or any other lien or security interest of any nature whatsoever which now covers or affects any property or interests therein of Lessee now attaches or hereafter will attach to the Boxcars or in any manner affects or will affect adversely Lessor's right, title and interest herein, provided that this warranty shall not be considered breached by any lien attaching to the leasehold interest of Lessee under this Lease by reason of any existing or future mortgage to which Lessee is a party covering substantially all of Lessee's railroad property.

(e) No consent of any shareholder, or any trustee or holder of any indebtedness, of Lessee is or will be required as a condition to the validity of this Lease.

(f) Prior to acceptance of reconstructed Boxcars from the Reconstructor under the Reconstruction Agreement this Lease (and any assignment hereof) will have been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and deposited with the Office of the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada, and such filing, recordation and deposit will protect the Lessor's interests in and to the Boxcars and no filing, recording or deposit (or giving of notice) with any other Canadian, federal, state or local government is necessary

in order to protect any interests of the Lessor in and to the Boxcars.

(g) No approval is required by any public regulatory body with respect to the entering into or performance by the Lessee of this Lease.

(h) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or condition, financial or otherwise, of Lessee, other than as disclosed to Lessor in that Western Pacific Industries, Inc., prospectus dated June 3, 1975.

(i) Neither the execution and delivery of this Lease, nor fulfillment of, or compliance with, the terms and provisions hereof, will contravene any provision of law now in effect, judgment, decree, order, franchise, or permit applicable to Lessee or conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a violation of, the charter or bylaws of Lessee or constitute a default under any agreement or instrument to which Lessee is now a party, or by which it is bound.

(j) Lessee has filed or caused to be filed all domestic and foreign tax returns which are required to be filed and has paid or caused to be paid all taxes shown to be due or payable on such returns or (except to the extent

being contested in good faith and for the contingent payment of which adequate provisions have been made) on any assessment received by Lessee, to the extent that such taxes have become due and payable.

(k) Ownership of the Boxcars by Lessor at the time of acceptance of the same from the Reconstructor will entitle Lessor to a depreciation or amortization deduction computed (i) as to that portion of Lessor's Cost representing payments made under the Purchase Agreement to one of the accelerated methods of depreciation as provided in Section 167 of the Internal Revenue Code of 1954, as amended, and (ii) as to that portion of Lessor's Cost representing amounts paid under the Reconstruction Agreement, in accordance with the provisions of Section 167 of the Code with an ADR depreciation life of 12 years now provided under the asset depreciation range under Treas. Regs. § 1.167, and Lessee will take no action during the term of this Lease inconsistent with this warranty.

(l) (i) At the time Lessor becomes the owner of the Boxcars and the accessions thereto through the reconstruction thereof by the Reconstructor, that portion of the basis of the Completed Unit equal to the Reconstruction Cost will be no less than 80% of the Lessor's basis in the Boxcars, including the Lessor's Purchase Price, and will constitute "new Section 38 property" as defined in Section

48(b) of the Code, and at the time Lessor becomes the owner of the Boxcars no portion of the part of the Boxcars so warranted to be "new Section 38 property," as so defined, shall have been used by any person so as to preclude the "original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor, and (ii) at all times during the term of this Lease the portion of the Boxcars so warranted to be "new Section 38 property" will constitute "Section 38 property" within the meaning of Section 48(a) of the Code, and will not be used predominantly outside the United States within the meaning of said Section 48(a) (including any exception thereto).

(m) At the acceptance of the same after reconstruction each Boxcar has an economically useful life of at least fifteen and one-half (15.5) years and each Boxcar can reasonably be expected to have a fair market value at the end of the initial Full Term of this Lease of at least 20% of Lessor's cost of such Boxcar.

(n) Lessee is not a party to any agreement or instrument or subject to any charter or other corporate restriction which individually or in the aggregate will materially adversely affect Lessee's financial condition, business or operations or will adversely affect the ability of Lessee to perform its obligations under this Lease, other

than as specifically disclosed to Lessor in the Western Pacific Industries, Inc., prospectus dated June 3, 1975.

(o) To the best of Lessee's knowledge and belief, after reasonable investigation, no document furnished by the Lessee to the Lessor in connection with the transactions contemplated by this Lease contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein not misleading, and there is no fact which the Lessee has not disclosed to the Lessor in writing which materially adversely affects nor, so far as the Lessee can now reasonably foresee, will materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Lease.

17. Interest On Overdue Rentals, Damages and Other Obligations.

Anything to the contrary herein contained notwithstanding, any nonpayment of Rent, damages or other obligations due hereunder shall result in the obligation on the part of Lessee promptly to also pay interest to Lessor at the lesser of a rate equal to 12% per annum, or the highest rate allowable by law, on the overdue rentals, damages or other obligations for the period of time during which they are overdue.

18. Federal Income Taxes.

18.1 It is the intent of the parties in this Agreement

that the Lessor shall at all times be considered the owner of the Boxcars which are the subject of this Agreement. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to facilitate accomplishment of this intent. Lessee specifically covenants that it will not use any Boxcar in a manner or at a location or otherwise engage in any activity which may limit the Lessor's privilege to use or secure the benefits of any of the tax benefits indemnified against in Section 9.2 hereof with respect to any Boxcar.

19. Information.

19.1 Inspection and Report. Lessor shall at any time during normal business hours have the right to enter the premises where the Boxcars may be located for the purpose of inspecting and examining the Boxcars to insure Lessee's compliance with its obligations hereunder. Lessee shall notify Lessor in writing within five (5) days after any attachment, or other judicial process shall attach to any Boxcar.

19.2 Annual Reports. Lessee shall furnish to Lessor, promptly upon their becoming available, a copy of its consolidated annual report made to the Interstate Commerce Commission (form R-1), a copy of the consolidated annual report of Western Pacific Industries (WPI) made to the Securities and Exchange Commission (form 10K), and a copy of the consolidated annual report

made to the stockholders of WPI.

19.3 Equipment Reports. On or before August 1 in each year, commencing with the year 1976, the Lessee will furnish to the Lessor an accurate statement (a) setting forth as at the preceding June 30 the amount, description and numbers of all Boxcars then leased hereunder and covered by the Lease, the amount, description and numbers of all Boxcars that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding year and such other information regarding the condition and state of repair of the Boxcars as the Lessor may reasonably request and (b) stating that, in the case of all Boxcars repainted or repaired during the period covered by such statement, the numbers and the markings required by Section 7.1 have been preserved or replaced. The Lessor shall have the right by its agents, to inspect the Boxcars and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

20. Recording.

The Lessee, at the expense of the Lessee, will cause this Lease, and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, and the same to be duly deposited with the Office of the Registrar General of

thereof or the exercise of any other right, power or remedy. The exercise of any right, power or remedy shall in no event constitute a cure or waiver of any default under this agreement nor prejudice the Lessor in the exercise of any rights hereunder unless in the exercise of such right all obligations of Lessee under this agreement are fully performed.

21.2 Notices. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States Mail, postage prepaid, certified or registered, addressed to Lessor at P.O. Box 3586, Seattle, Washington, 98124, and to Lessee at 526 Mission Street, San Francisco, California, 94105, Attention: Vice President of Finance, or to such other address as either party may from time to time specify in writing to the other.

21.3 Governing Law. This agreement and the Lease contemplated hereby shall be governed by and construed according to the laws of the State of Washington with the exception of the opinions of counsel for Lessee, which may speak with reference to the law of California, provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

21.4 Successors and Assigns. This agreement and the Lease contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee will not without the prior

written consent of Lessor assign this Lease or any of its rights hereunder or sublease the Boxcars to any party except as otherwise permitted in this Lease, and any purported assignment or sublease in violation hereof shall be void. Nothing in this paragraph shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Boxcars or possession of the Boxcars to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into which or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger or consolidation, be in default under any provision of this Lease.

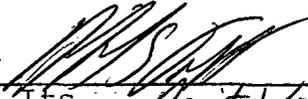
21.5 Additional Documents. Lessee agrees to execute additional documents contemplated by this transaction and such other documents which Lessor may from time to time reasonably request.

21.6 Expenses. Legal and documentation expenses for the negotiation and execution of this Lease and related documents, up to \$7500, will be paid by Lessor. Expenses in excess of \$7500 including all fees and costs of filing this Lease with the Interstate Commerce Commission and related filings shall be payable by Lessee, and Lessor shall be held free of any cost therefor. In the event that Lessor pays any expenses properly payable

hereunder by Lessee, Lessee shall have the option, at its discretion, of directly reimbursing Lessor for any such excess expenses, or capitalizing the same over the life of this Lease, in which latter event such expenses shall be included in the computation of rent payable to Lessor pursuant to paragraph 6.1.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first above written.

SEATTLE-FIRST NATIONAL BANK

By   
Its Asst. Vice President

Attest:  
  
Authorized Officer

THE WESTERN PACIFIC RAILROAD COMPANY

By   
Its Vice President - Finance

Attest:  
  
Authorized Officer

STATE OF WASHINGTON ]  
] ss:  
COUNTY OF KING ]

On this 20<sup>th</sup> day of August, 1975, before me, a Notary Public in and for the State of Washington, personally appeared Michael B. TART to me known to be the ~~the~~ an officer of SEATTLE-FIRST NATIONAL BANK, the national banking association that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said association, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument, and that the seal affixed thereto, if any, is the seal of said association.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Henry C. Huntington  
NOTARY PUBLIC in and for the State of  
Washington, residing at Redmond

STATE OF CALIFORNIA ]  
] ss.  
CITY AND COUNTY OF ]  
SAN FRANCISCO ]

On this 20<sup>th</sup> day of August, 1975, before me personally appeared R. W. STUMBO, JR, to me personally known, who, being by me duly sworn, says that he is a VICE PRESIDENT of THE WESTERN PACIFIC RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Company, that said instrument was signed and sealed on behalf of said Company by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Company.

Diane L. Fafoutis  
NOTARY PUBLIC

[NOTARIAL STAMP]



E X H I B I T     "A"

ATTACHED TO AND MADE A PART OF  
EQUIPMENT LEASE AGREEMENT DATED AS OF AUGUST 15, 1975  
BETWEEN SEATTLE-FIRST NATIONAL BANK AND  
THE WESTERN PACIFIC RAILROAD COMPANY

Car Numbers

45     70-ton rebuilt insulated box cars

WP 64951  
through 64995

E X H I B I T     "B"

ATTACHED TO AND MADE A PART OF  
EQUIPMENT LEASE AGREEMENT DATED AS OF AUGUST 15, 1975  
BETWEEN SEATTLE-FIRST NATIONAL BANK AND  
THE WESTERN PACIFIC RAILROAD COMPANY

STIPULATED LOSS VALUE SCHEDULE

(Pro-Forma)

<u>Period</u>	<u>Stipulated Loss Value (%)</u>
0	100.000*
1	106.758
2	105.829
3	104.672
4	103.301
5	101.709
6	99.912
7	92.768
8	90.557
9	88.128
10	85.512
11	77.550
12	74.535
13	71.302
14	67.895
15	59.141
16	55.366
17	51.383
18	47.287
19	43.001
20	38.617
21	34.050
22	29.391
23	24.555
24	20.000

\*Plus applicable expenses