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NO.

Date JAN 13 1977

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ICC Washington, D. C

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January 7, 1977

The Honorable Robert L. Oswald
Secretary
Interstate Commerce Commission
Washington, D. C. 20036

RECORDATION NO. 8457-14 Filed & Recorded

JAN 13 1977 - 3 05 PM
INTERSTATE COMMERCE COMMISSION

Dear Sir:

Herewith for recording pursuant to Section 20c of the Interstate Commerce Act are executed counterparts of an Assignment of Lease and Agreement dated as of January 1, 1977, assigning to First Security Bank of Utah, N.A., as Trustee, SSI Rail Corp.'s interest in its lease of railroad equipment with the Sierra Railroad Company dated September 1, 1975, as and only to the extent that such lease relates to the equipment on Schedule A numbered SERA 4000 - 4049 to the Equipment Trust Agreement dated as of July 15, 1976, by and between First Security Bank of Utah, N.A., as Trustee and SSI Rail Corp., filed with the ICC on August 27, 1976 at 1:30 p.m. and assigned recordation number 8457.

The addresses of the parties to the above-mentioned documents are as follows:

First Security Bank of Utah, N.A.
79 South Main Street
Salt Lake City, Utah 84111

SSI Rail Corp.
Two Embarcadero Center
San Francisco, California 94111

The equipment covered by this Assignment of Lease and Agreement bears the legend:

"Owned subject to a Security Interest filed under the Interstate Commerce Act, Section 20c."

A check in the amount of \$¹⁰50 for the required recordation fee is enclosed.

.../2

Vertical handwritten notes on the left margin, including a signature that appears to read "L. D. Thompson".

Mr. Oswald
January 7, 1977
Page 2.

The obligations of SSI under the Equipment Trust Agreement are guaranteed by ITEL Corporation, One Embarcadero Center, San Francisco, California, 94111, the parent company of SSI.

Please accept for recordation two counterparts of the Assignment of Lease and Agreement. Please stamp the remaining counterparts with the appropriate recordation number and return them to the delivering messenger, together with your fee receipt and your letter confirming receipt addressed to:

First Security Bank of Utah, N.A.
79 South Main Street
Salt Lake City, Utah 84111
ATTN: Robert S. Clark, Esq.

Very truly yours,



Martin D. Goodman
Secretary

MDG:md
Enc.

Interstate Commerce Commission
Washington, D.C. 20423

1/13/77

OFFICE OF THE SECRETARY

Martin D. Goodman
SSI Rail Corp.
Two Embarcadero Center
San Francisco, Calif. 94111

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 1/13/77 at 3:05pm and assigned recordation number(s) 8457-A

Sincerely yours,


Robert L. Oswald
Secretary

Enclosure(s)

SE-30
(5/76)

RECORDATION NO. 8457 MS Filed & Recorded

JAN 18 1977 8 05 PM

~~INTERSTATE COMMERCE COMMISSION~~

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 1, 1977 (hereinafter called this Assignment), by and between SSI Rail Corp., a Delaware corporation (together with its successors and assigns, being hereinafter called SSI) and FIRST SECURITY BANK OF UTAH, N.A. (hereinafter called the Trustee).

WHEREAS SSI has entered into an Equipment Trust Agreement dated as of July 15, 1976 (such Equipment Trust Agreement hereinafter, together with amendments and supplements thereto, being collectively called the Agreement); and

WHEREAS SSI and Sierra Railroad Company (hereinafter called the Lessee) have entered into a lease of railroad Equipment (as defined in the Agreement) dated as of September 1, 1975, (hereinafter, together with any amendments and supplements thereto, being called the Lease), providing for the leasing by SSI to the Lessee of the Trust Equipment (as defined in the Agreement);

WHEREAS the Lease may also cover the leasing to the Lessee of other Equipment not included as part of the Trust Equipment; and

WHEREAS in order to provide security for the obligations of SSI under the Agreement and as an inducement to the investors for which First Security Bank of Utah, N.A. is acting as Trustee to purchase Trust Certificates (as that term is defined in the Agreement), SSI agrees to assign for security purposes its rights in, to and under the Lease to the Trustee as and only to the extent that the Lease relates to the Trust Equipment;

NOW, THEREFORE, in consideration of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. SSI hereby assigns, transfers and sets over unto the Trustee, as collateral security for the payment and performance of SSI's obligations under the Agreement, all of SSI's right, title and interest, powers, privileges and other benefits under the Lease as and only to the extent that the Lease relates to the Trust Equipment, including, without limitation, all rights to receive and collect all rentals,

profits and other sums payable to or receivable by SSI from the Lessee under or pursuant to the provisions of the Lease to the extent that the same are payable in respect of the Trust Equipment, whether as rent, casualty payment, indemnity, liquidated damages or otherwise (such moneys being hereinafter called the Payments); provided, however, that until an Event of Default under the Agreement, or any event which with notice or lapse of time or both, could constitute such an Event of Default, shall occur, it is understood that SSI shall be entitled to collect and receive all such Payments and to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to apply all Payments to which SSI is entitled to the payment of any and all of SSI's obligations under the Agreement. In furtherance of the foregoing assignment, but subject to the foregoing provisions of this paragraph, SSI hereby irrevocably authorizes and empowers the Trustee in its own name, or in the name of its nominee, or in the name of SSI or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which SSI is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof. Whenever the Lease covers other Equipment not included as part of the Trust Equipment and the amount of any payment due to SSI under the Lease is calculated on an aggregate basis for all Equipment leased thereunder, for the purposes of this Assignment an amount equal to the Assigned Fraction (as hereinafter defined) of each such payment shall be deemed to be payable with respect to the Trust Equipment, including, without limitation, (i) to the extent aforesaid, all moneys due and to become due to SSI under or in connection with the Lease, whether as car hire payments (including both straight and incentive per diem), mileage charges or other rental revenues, payments in connection with damage to or destruction of any unit of the Trust Equipment, claims for damages or otherwise, (ii) all rights and powers of SSI under the Lease to exercise any option, to consent or make any waiver or agreement or to take any other action with respect to any unit of the Trust Equipment, and (iii) all rights and claims of SSI to insurance proceeds with respect to any unit of the Trust Equipment. The term "Assigned Fraction" as used herein shall mean a fraction the numerator of which shall be the number of units of Equipment comprising the Trust Equipment and the denominator of which shall be the aggregate number of units of Equipment at the time leased under the Lease.

2. This Assignment is executed only as security

for the obligations of SSI under the Agreement and, therefore, the execution and delivery of this Assignment shall not subject the Trustee to, or transfer, or pass, or in any way affect or modify, the liability of SSI under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of SSI to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against SSI or persons other than the Trustee.

3. To protect the security afforded by this Assignment, SSI agrees as follows:

(a) SSI will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by SSI.

(b) At SSI's sole cost and expense, SSI will appear in and defend every action or proceeding arising under, growing out of or in any manner connected with the obligations, duties or liabilities of SSI under the Lease.

(c) Should SSI fail to make any payment or to do any act which this Assignment requires SSI to make or do, then the Trustee, but without obligation so to do, after first making written demand upon SSI and affording SSI a reasonable period of time within which to make such payment or do such act, but without releasing SSI from any obligation hereunder, may make or do the same in such manner and to such extent as the Trustee may deem necessary to protect the security provided hereby, including specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect the security hereof and the rights or powers of the Trustee, and also the right to perform and discharge each and every obligation, covenant and agreement of SSI contained in the Lease; and in exercising any such powers, the Trustee may pay necessary costs and expenses, employ counsel and incur and pay reasonable attorneys' fees, and SSI will reimburse the Trustee for such costs, expenses and fees.

4. Upon the full discharge and satisfaction of all SSI's obligations under the Agreement, this Assignment and all rights, herein assigned to the Trustee shall terminate, and all estate, right, title and interest of the Trustee in

and to the Lease shall revert to SSI.

5. SSI will, from time to time, do and perform any other act and will execute, acknowledge, deliver and file, register, deposit and record (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Trustee in order to confirm or further assure, the interests of the Trustee hereunder.

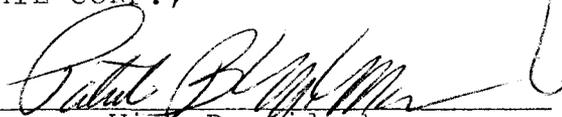
6. In the Event of Default under the Agreement, the Trustee may assign all or any of the rights assigned to it hereby or arising under the Lease, including without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Trustee hereunder. The Trustee will give written notice to SSI and the lessee of any such assignment.

7. This Assignment shall be governed by the laws of the State of Utah, but the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names, by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

SSI RAIL CORP.,

by


Vice President

[Corporate Seal]

Attest:


Assistant Secretary

FIRST SECURITY BANK OF UTAH, N.A.,
as Trustee,

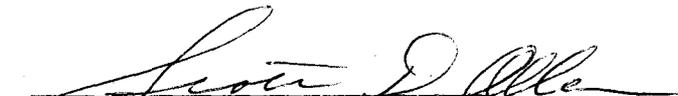
by



Authorized Officer

[Corporate Seal]

Attest:


Assistant Secretary

LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of this 1st day of September, 1975, between SSI RAIL CORP., a Delaware corporation, ("SSI") as Lessor and SIERRA RAILROAD COMPANY, a California corporation (the "Lessee"), as Lessee:

1. Scope of Agreement

A. SSI agrees to lease to Lessee and Lessee agrees to lease from SSI up to ~~one hundred (100)~~ ^{FIFTY} ~~(100)~~ ⁽⁵⁰⁾ boxcars of the types and descriptions as set forth in any Lease Schedules executed by the parties concurrently herewith or from time to time hereafter and made a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Boxcars". The word "Schedule" as used herein includes the Schedule executed concurrently herewith for 10 Boxcars and all additional Schedules and amendments thereto whether for Boxcars or other railroad equipment each of which when signed by both parties shall be a part of this Agreement.

B. It is the intent of the parties of this Agreement that SSI shall at all times be and remain the owner of all scheduled Boxcars. 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 SSI's privilege to use or secure the benefits of any of the tax benefits hereof with respect to any Boxcar.

2. Term

A. The Term of a lease with respect to each Boxcar shall be for fifteen (15) years commencing upon the date of delivery of such Boxcar as set forth in Section 3A hereof, unless earlier terminated pursuant to this Agreement.

B. If this Agreement has not been earlier terminated and 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, this Agreement

shall be automatically extended for consecutive periods of six months; provided, however, that SSI may by written notice delivered to Lessee not less than ninety (90) days prior to the end of the initial lease term for any scheduled Boxcar or any specified termination date during the extended term terminate this Agreement.

C. If Lessee decides to go out of the freight business, Lessee may terminate the Lease at any time on giving six (6) months prior written notice to Lessor.

3. Supply Provisions

A. SSI will inspect each Boxcar tendered by the manufacturers for delivery to Lessee. If the Boxcar conforms to all applicable governmental regulatory specifications, SSI will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance whereupon such Boxcars shall be deemed delivered to Lessee and subject thereafter to all of the terms and conditions of this Agreement. Due to the nature of railroad operations in the United States, SSI can neither control nor determine if and when the Boxcars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may never have physical possession of any or all of the units leased hereunder, Lessee agrees to pay to SSI the rental charges set forth in this Agreement.

 B. Lessee agrees that so long as it shall have on lease one or more type of Boxcar, it shall not lease boxcars from any other party unless it shall have leased the minimum ~~100~~  Boxcars required by this Agreement. Once the minimum ~~100~~  Boxcars shall have been leased by Lessee, it shall then not lease boxcars from any other party unless it shall have given SSI at least two (2) months' prior written notice of its desire to lease boxcars similar to the type on lease and SSI shall then have the opportunity to lease such boxcars to Lessee subject to the terms and conditions of this Agreement and at terms not less favorable to Lessee than that offered by such other parties. Notwithstanding the leasing of boxcars from other parties, Lessee shall give preference to SSI and shall load the Boxcars leased from SSI prior to loading boxcars leased from such other parties. The foregoing, however, shall not be deemed to prohibit Lessee from directly interchanging Boxcars from railroad companies in accordance with AAR railroad interchange agreements, the

Interstate Commerce Act and any rules or regulations issued thereunder or leasing from other parties if SSI cannot equal the lease terms offered by such other parties.

C. Additional Boxcars may be leased from SSI to Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Boxcars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon acceptance by SSI and delivery to Lessee.

4. Railroad Markings and Record Keeping

A. SSI agrees that on or before delivery of the Boxcars to Lessee, the Boxcars may be lettered with the names and initials or other insignia customarily used by the Lessee or its affiliates.

B. Lessee hereby irrevocably appoints and constitutes SSI as its agent during the term of this Agreement for preparing all documents for Lessee's signature and filing relating to the registration, maintenance and recordkeeping functions normally performed by Lessee with respect to the Boxcars. Such matters shall include but are not limited to the preparation of the following documents: (i) appropriate AAR interchange agreements with respect to the Boxcars including an application for relief from Rules 1 and 2 of the AAR Car Service and Car Hire Agreement; (ii) registration for each Boxcar in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies with respect to the Boxcars.

C. SSI, on behalf of and at no cost to Lessee shall register each and every Boxcar leased hereunder in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. SSI shall, on behalf of Lessee, perform all record keeping functions related to the use of the Boxcars by Lessee and other railroads in accordance with AAR railroad interchange agreements such as car hire reconciliation and the processing of damage and maintenance claims. Payments, charges and correspondence from railroads using such Boxcars shall be addressed to Lessee at such address as SSI shall select.

D. All record keeping performed by SSI hereunder and all record of payments, charges and correspondence

related to Scheduled Boxcars shall be separately recorded and maintained by SSI in form suitable for reasonable inspection by Lessee from time to time during regular SSI business hours.

5. Maintenance, Taxes and Insurance

A. SSI will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each Boxcar during its lease term and any extension thereof, including but not limited to repairs, maintenance, storage and servicing unless the same is occasioned by the fault of Lessee while a Boxcar is in the physical possession of Lessee. Lessee hereby transfers and assigns to SSI for and during the term of this Lease all of its right, title and interest in, under and to any 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 of SSI has occurred and is continuing. All claims or actions on any warranty so assigned shall be made and prosecuted by SSI at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be made payable to SSI. All proceeds from such recovery shall be used to repair or replace the Boxcars.

B. Lessee may make minor repairs to facilitate continued immediate use of a Boxcar, but shall not otherwise make any alterations, improvements or additions to the Boxcars without SSI's prior written consent. Title to any such alteration, improvement or addition occurring in the course of or as a result of normal and customary maintenance shall be and remain in SSI.

C. SSI 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. SSI 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 the lease of such Boxcars and to comply with the above requirements.

D. SSI will at all times while this Agreement is in effect and at its own expense, cause to be carried and maintained insurance in respect of all Boxcars subject

hereto, and property damage and public liability insurance in amounts and against risks customarily insured against by railroad companies on similar equipment, and SSI shall furnish to the Lessee such copies of the policies, or other evidences of such insurance as the Lessee shall reasonably request. Such insurance shall be payable to SSI and Lessee as their interests may appear. Lessee at its option may elect to carry and maintain insurance covering property damage and liability occurring while a Boxcar is in the physical possession of Lessee and through fault of the Lessee which is the sole and exclusive damage and liability responsibility assumed by Lessee hereunder.

E. SSI 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 lease, sale, ownership, use, shipment, transportation, delivery or operation thereof or the exercise of any option, election or performance of any obligation by SSI 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 SSI on or measured by any amount payable hereunder, except taxes on net income imposed on Lessee. SSI 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 Lessee, SSI will cause such billings to be made to SSI.

6. Rental Charges

A. Lessee agrees to pay the following rental charges to SSI for the use of SSI's Boxcars during any period that incentive per diem is in force for less than 12 months with respect to such Boxcars:

(i) SSI shall receive all of the mileage charges and car hire revenues (including both straight and incentive per diem) payable to Lessee by other railroad companies if the utilization of all of the Boxcars on an aggregate basis for each calendar year shall be equal to or less than 90 percent. For the purpose of this Agreement, utilization

of the Boxcars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that per diem is earned on the Boxcars, commencing from the first loading of freight on the railroad line of Lessee, referred to as the "initial loading", and the denominator of which is the aggregate number of days in each year that the Boxcars are on lease to Lessee, commencing from the initial loading. All revenues earned and all expenses incurred by all Boxcars prior to its "initial loading" shall be for the account of SSI.

(ii) In the event the utilization exceeds 90 percent in any calendar year, SSI shall receive an amount equal to the total mileage charges and car hire revenues multiplied by a fraction, the numerator of which is 90 percent and the denominator of which is the utilization for the calendar year ("SSI Base Rental"). (The above determination of SSI Base Rental insures that SSI will, if the utilization is less than 100 percent receive an amount equal to 90 percent of the amount which would have been received by Lessee had the utilization been 100 percent.) Lessee shall retain the first \$300 per Boxcar or less of any mileage charges and car hire revenues (including both straight and incentive per diem) earned in excess of the SSI Base Rental. SSI shall receive the second \$300 per Boxcar or less of any revenues earned in excess of the first \$300 over the SSI Base Rental.

(iii) In the event the total mileage charges and car hire revenues exceed the SSI Base Rental by \$600 multiplied by the number of Boxcars leased hereunder in any calendar year, SSI shall receive an amount equal to one-half the revenues earned in excess of such amount.

(iv) The rental charges payable to SSI by Lessee shall be paid from the monies received by Lessee in the following order until SSI has received the amounts due it pursuant to this Section 6: (1) incentive car hire payments;

(2) straight car hire payments and (3) mileage charges.

B. Lessee agrees to pay the following rental charges to SSI for the use of SSI's Boxcars during any period twelve month incentive per diem is in force with respect to such Boxcars:

(i) SSI shall receive all of the mileage charges and car hire revenues (including both straight and incentive per diem), payable to Lessee by other railroad companies if the utilization of all of the units on an aggregate basis for each calendar year shall be equal to or less than 87.5 percent.

(ii) In the event the utilization exceeds 87.5 percent in any calendar year that twelve month incentive per diem is in effect, the same formula as A(ii) and A(iii) shall be followed. Upon the issuance of an order by the ICC, the effective date of the twelve month incentive will determine the selection of A or B above, i.e., the August 4, 1975, order, effective March 1, 1975, rolled back incentive per diem for X-M boxcars from twelve months to six months. Therefore, incentive will apply through February 28, 1976, at which time it is repealed until September 1, 1976. Notwithstanding that the order is not effective until March 1, 1975, the formula under A above will be used until such time as an additional order is issued.

C. The calculations required by Subsection 6A and 6B shall be computed within three months after the end of each calendar year. However, since the parties desire to determine on a quarterly basis the approximate amount of the rental payment due SSI, SSI shall within three months after the end of each calendar quarter, calculate on a quarterly basis rather than a yearly basis, the amount due it pursuant to Subsections 6A and 6B. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that following the yearly calculation required by Subsection 6A, any amount paid to either party in excess of the amounts required by the yearly

calculation shall be promptly refunded to the appropriate party.

D. In the event the utilization rate in any calendar quarter is less than an amount equal to 87.5 percent, SSI may, at its option and upon not less than 30 days prior written notice to Lessee, terminate this Agreement.

E. In the event the revenue received by SSI for any Boxcar in any twelve month period is less than \$4,596.00 SSI may, at its option and upon not less than 30 days prior written notice to Lessee, terminate this Agreement as to such Boxcar.

F. If any Boxcar remains on Lessee's railroad tracks for more than ten days, SSI may, at its option and upon not less than 48 hours prior written notice, terminate this Agreement as to such Boxcar and withdraw such Boxcar from Lessee's railroad tracks, except when such Boxcar is awaiting its initial load.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the terms of this Agreement and in the manner and to the extent Boxcars are customarily used in the freight railroad business. Lessee agrees that to the extent it has physical possession and can control use of the Boxcars, 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 either SSI or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party, and except further that this section shall in no manner diminish the obligations of SSI under Sections 3A and 5 of this Agreement.

B. 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 Agreement or Schedule or amendment thereto 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 SSI) and will if requested by SSI obtain and deliver to SSI concurrently with the delivery of the Boxcars a waiver of any such liens or claims as to the Boxcars in recordable form satisfactory to SSI. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default Remedies Upon Default

A. Each of the following shall constitute an event of default:

(i) Lessee shall make or permit any unauthorized assignment or transfer of this Agreement, or

(ii) If any representation or warranty made by Lessee herein or in any statement or certificate furnished by Lessee in connection with this Agreement 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

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

(a) Adjudging Lessee a bankrupt or insolvent,

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

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

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

(iv) Lessee shall:

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

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

(c) 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.

(d) 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,

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

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

(v) 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 sixty (60) 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 sixty (60) days.

B. Upon the occurrence of any event of default, SSI may, at its option, terminate this Agreement and may

(i) 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 SSI costs and expenses, including reasonable attorneys' fees, in securing such enforcement), or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession of the Boxcars, whereupon all right and interest of Lessee in the Boxcars shall terminate; and thereupon SSI 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. SSI shall nevertheless have a right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Termination

At the expiration or termination of this Agreement as to any Boxcars set forth on a Schedule attached hereto, Lessee will surrender possession of such Boxcars to SSI by delivering the same to SSI. The assembling, delivery, storage and transporting of the Boxcars shall be at the expense and risk of SSI. A Boxcar shall be deemed terminated and no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Boxcar and the placing thereon of such markings as may be designated by SSI, either at the option of SSI, (1) upon delivery of such Boxcars to Lessee's railroad line subsequent to termination of this Agreement as to such Boxcar or (2) removal and replacement of the markings by another railroad line which has physical possession of the Boxcar at the time of or subsequent to termination of this Agreement as to such Boxcar.

(i) If such Boxcars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad markings from the Boxcars and place thereon such markings as may be designated by SSI. After the removal and replacement of markings, Lessee shall use its best efforts to load such Boxcars with freight

and deliver them to a connecting carrier for shipment. Lessee shall provide up to ten days free storage on its railroad tracks for SSI or the subsequent lessee of any terminated Boxcar.

(ii) If such Boxcard are not on the railroad line of Lessee upon termination, all costs of assembling, delivering, storing, and transporting such Boxcars, except as provided above, to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by SSI.

10. Indemnities

SSI will defend, indemnify and hold harmless Lessee from and against (a) any and all loss or damage of or to the Boxcars, usual wear and tear excepted, unless occurring through the fault of Lessee while Lessee has physical possession of Boxcars and (b) any claim, cause of action, damage, liability, cost or expense (including legal fees and costs) to which the Boxcars may be subject or which may be incurred in any manner by or for the account of any such Boxcar (unless occurring through the fault of Lessee):

(i) relating to the Boxcars or any part thereof, including without limitation the construction, purchase, delivery, of the Boxcars to Lessee's railroad line, 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 SSI or Lessee):

(ii) by reason or as a result of any act or omission of SSI for itself or as agent or attorney-in-fact for Lessee hereunder;

(iii) as a result of claims for patent infringement; or

(iv) as a result of claims for strict liability in tort.

11. Warranties and Covenants

A. Lessee represents, warrants and covenants that:

(i) 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, is duly qualified and authorized to do business ever 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 Agreement.

(ii) There is 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 Agreement.

(iii) 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 SSI's right, title and interest therein.

(iv) 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.

(v) 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 Agreement.

(vi) There is no fact which Lessee has not disclosed to SSI 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 Agreement.

(vii) Lessee has during the years 1964-1968 neither leased nor purchased more than _____ boxcars per year and has since such years leased in each year its 1964-1968 average number of such boxcars or has made up any arrearages in having failed to maintain such average in each year since Ex Parte (Sub. No. 1) Incentive Per Diem Charges - 1968 was placed into effect by the ICC.

B. SSI represents, warrants and covenants that:

(i) SSI is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate power and authority, is duly qualified and authorized to do business ever 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 Agreement.

(ii) There is no law, rule or regulation and no charter provision of SSI, and no provision in any existing mortgage, indenture, contract or agreement, order, judgment or decree binding on SSI which would be contravened by the execution, delivery or performance by SSI of this Agreement.

(iii) No approval or further action is required from any public regulatory body with respect to the entering into or performance by SSI and Lessee of this Agreement.

(iv) There is no action or proceeding pending or threatened against SSI before any court or administrative agency or other governmental body which might result in any material adverse affect on the business, properties and assets, or condition, financial or otherwise, of SSI.

(v) SSI 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 SSI's financial condition, business or operations or will adversely affect the ability of SSI to perform its obligations under this Agreement.

(vi) There is no fact which SSI has not disclosed to Lessee in writing which materially adversely affects nor, so far as SSI can now reasonably foresee, will materially adversely affect the business, condition or any material portion of the properties of SSI or the ability of SSI to perform its obligations under this Agreement.

12. Conditions Precedent to Execution, Lease Schedules

A. No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or administrative interpretations thereof which would make it illegal for the parties to enter into this Agreement or any Schedule hereto.

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 Agreement.

C. Both parties shall have received such other documents and evidence with respect to the transaction as either of them or respective counsel may reasonably request in order to establish that the consummation of the transactions contemplated by this Agreement is lawful in all respects.

D. Lessee shall have received appropriate certificates or other evidence of insurance as required by Section 5D.

13. Inspection

SSI 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 immediately notify SSI of any

accident connected with the malfunctioning or operation of the Boxcars including in such report the time, place and nature of the accident and the damage caused to property, the names and addresses of any persons injured and of witnesses and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify SSI in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Boxcar. Each party shall furnish to the other, promptly upon their becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the Interstate Commerce Commission.

14. Delay and Waiver

No failure or delay by SSI shall constitute a waiver or otherwise affect or impair any right, power or remedy available to SSI nor shall any waiver or indulgence by SSI or any partial or single exercise of any right, power or remedy preclude any other or further exercise 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 SSI in the exercise of any rights hereunder unless in the exercise of such right all obligations of Lessee under this Agreement are fully performed.

15. 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 SSI Rail Corp., Two Embarcadero Center, San Francisco, California, 94111, Attention: President and to Sierra Railroad Company, 781 South Washington Street, Sonoma, California, Attention: General Manager.

16. Governing Law

This Agreement and the leasing contemplated hereby shall be governed by and construed according to the laws of the State of California, provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

17. Successors and Assigns

This Agreement and the Schedules 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 may not without the prior written consent of SSI assign this Agreement or any of its rights hereunder or sublease the Boxcars to any party, and any purported assignment or sublease in violation hereof shall be void.

18. Additional Documents

Both parties agree to execute additional documents contemplated by this transaction and such other documents which either may from time to time reasonably request in furtherance of this Agreement.

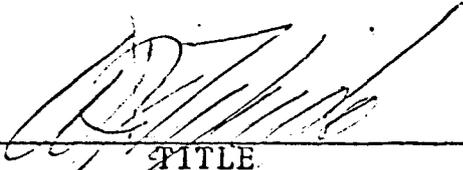
19. Statement of Lease

It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Boxcars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Boxcars except as a lessee only.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the year and date first above written.

SSI RAIL CORP.

SIERRA RAILROAD COMPANY



TITLE



TITLE

DATE: 10-3-75

DATE: 10/3/75

EQUIPMENT SCHEDULE

A.A.R. Mech. Desig.	Description	Numbers	Dimensions Inside Length Width Height			Doors Width	No. of cars
B204	PROXCAR		50'6"	4'6"	10'7"	10'	10

SSI RAIL CORP.

TITLE

DATE:

10-3-75

SIERRA RAILROAD COMPANY

TITLE

DATE:

10/3/75

ATTACHMENT TO LEASE AGREEMENT DATED

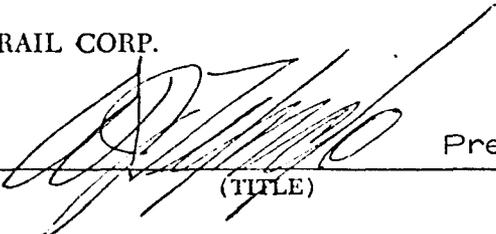
September 1, 1975

EQUIPMENT SCHEDULE

SSI Rail Corp. hereby leases the following Boxcars to Sierra Railroad Co. pur-
suant to that certain Lease Agreement dated as of Sept. 1, 1976

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	Box, Stl., Nailable Steel Floor, Cushion Underframe, Off Set Doors	4000-4039	50' 6"	9' 6"	10' 7"	16' 0"	40

SSI RAIL CORP.



President
(TITLE)

DATE: July 30, 1976

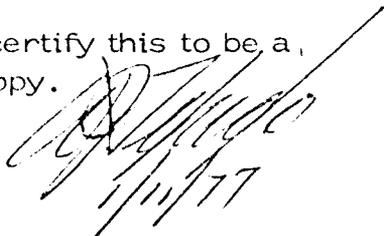
SIERRA RAILROAD COMPANY



Vice-President
(TITLE)

DATE: June 16, 1976

I hereby certify this to be a
correct copy.


1/1/77

I hereby certify this to be a
ccrrect copy.


JAN 10, 1977

FILE

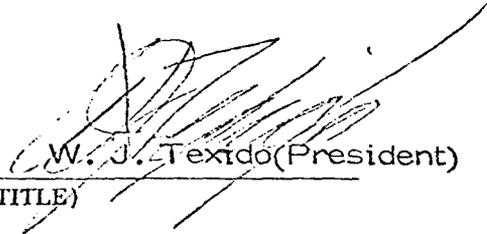
Attachment to Lease Agreement Dated
September 1, 1976

EQUIPMENT SCHEDULE

SSI Rail Corp. hereby leases the following Boxcars to SIERRA RAILROAD COMPANY pursuant to that certain Lease Agreement dated as of SEPT. 1, 1975

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	General Purpose Boxcar	4040-4049	50'6"				10

SSI RAIL CORP.


 W. J. Texido (President)
 (TITLE)

DATE: November 5, 1976

SIERRA RAILROAD COMPANY

By: 
 Hugh B. McClung
 Vice President, Finance
 (TITLE)

DATE: Nov. 4, 1976