



**LONGTREE** INTERNATIONAL INC.

W. 201 North River Drive, Suite 210  
Spokane, WA 99201  
(509) 455-6650/(800) 451-6650  
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1 5314  
RECORDATION NO. Filed 142B

SEP 22 1987 -3 25 PM

INTERSTATE COMMERCE COMMISSION

Date 9/30/87  
Fee \$ 10.00

ICC Washington, D. C.

September 18, 1987

The Interstate Commerce Commission  
12th and Constitution Avenue N.W.  
Washington, D.C. 20423  
ATTN: Mildred Lee

Dear Ms. Lee:

You will find enclosed two(2) notarized original lease documents covering the lease of 30-66' long log flatcars. This lease is between Longtree International, Inc. of Spokane, Washington, and Helm Financial Corporation of San Francisco, California.

Please handle this for recording purposes, advising my office of recording upon completion.

Regards,

James T. Sharp

Interstate Commerce Commission  
Washington, D.C. 20423

OFFICE OF THE SECRETARY

9/23/87

James T. Sharp  
Longtree International, Inc.  
W 201 North River Drive, Suite 210  
Spokane, WA. 99201

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 9/22/87 at 3:05pm, and assigned recordation number(s). 15314

Sincerely yours,

*Norita R. McGee*  
Secretary

Enclosure(s)

SE-30  
(7/79)

1 5314

REGISTRATION NO. 1440

SEP 22 1987 - 3 04 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

BETWEEN

HELM FINANCIAL CORPORATION,

AND

LONGTREE INTERNATIONAL, INC.

LEASE OF RAILROAD EQUIPMENT

LEASE OF RAILROAD EQUIPMENT, dated as of August 31, 1987 between HELM FINANCIAL CORPORATION, a California corporation, (hereinafter called the "Lessor") and LONGTREE INTERNATIONAL, INC., a Delaware corporation (hereinafter called the "Lessee"). The term "Affiliate" as used hereinafter means any parent or subsidiary of the Lessee.

WHEREAS, the Lessor has been assigned leasehold interest in 100 ton flatcars more fully described in Annex A hereto (hereinafter called the "Units");

WHEREAS, the Lessee desires to lease from the Lessor all the Units at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

1. Delivery and Acceptance of Units. The Lessee hereby accepts the Units at Chehalis Junction, Washington whereupon each Unit shall be subject thereafter to all terms and conditions of this Lease. The Lessee further agrees to be responsible for any transportation cost of moving the Units from Chehalis Junction, Washington to the Lessee's loading point(s) in California and Idaho. The Lessor agrees to furnish the Units in compliance with now existing AAR rules of interchange. Lessee, at its expense, shall have the right to inspect and reject the Units subject to this Lease, prior to the Lessor's transporting the Units from their present location.

2. Car Hire Earnings. Units will be zero-rated in UMLER and, therefore, the Lessee shall enjoy no car hire earnings (per diem and mileage) hereafter until the expiration or sooner termination of this Lease.

3. Rentals. The Lessee agrees to pay the Lessor rental for each Unit subject to this Lease for six (6) monthly installments, payable monthly in advance. The six (6) payments shall be in the amount of \$225 each per Unit. Rental shall become effective with regard to each Unit upon the date of the delivery of each as provided in paragraph 1, and shall continue in effect with regard to each of the Units until returned to the Lessor at the end of the term of this Lease, as hereafter provided in paragraph 4. Payment of Lease Rental shall be made to the Lessor at the address specified in paragraph 17, or to such other place as Lessor may direct, with the first month's payment due on September 15, 1987 and is to include prorated payment for any cars received and used during September 1-14, 1987. Rental for any Unit for any partial month shall be prorated on a daily basis. Any costs incurred by the Lessor in collecting Rental

wrongfully withheld by Lessee, including reasonable attorney fees, will be paid by the Lessee.

In the event the Lessee shall be in default in the payment of any sum of money to be paid under this Lease, whether rental or otherwise, the Lessee shall pay the Lessor, as additional rental, to the extent permitted by applicable law, interest on such unpaid sum from its due date to date of payment by the Lessee at a rate equal to 13% per annum.

This Lease is a lease which includes maintenance, however the Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or otherwise; nor shall this Lease terminate, or the respective obligations of the Lessor or Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use of or destruction of all or any of the Units from whatsoever cause, the prohibition of or other restriction against Lessee's use of all or any of the Units, the interference with such use by any private person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, or for any other cause whether similar or dissimilar to the foregoing, and present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other payments payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quite or surrender the lease of any Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever. The rentals and other sums payable by the Lessee hereunder shall be paid without notice, demand, counterclaim, or defense by reason of any circumstance or occurrence whatsoever.

4. Term of Lease. The term of this Lease with respect to each Unit shall begin on September 15, 1987, and, unless sooner terminated in accordance with the provisions of the Lease, shall end on the last day of the sixth month thereafter.

The obligations of the Lessee hereunder (including, but not limited to, the obligations of the Lessee under Paragraphs 6, 9 and 11 hereof) shall survive the expiration or sooner termination of this Lease.

5. Identification Marks. The Lessee will cause each Unit to be kept numbered with its identifying number as set forth in Annex A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit in letters not less than one inch in height, the words "Leased by The Liberty National Bank and Trust Company of Oklahoma City, as Trustee, and subject to a security agreement filed with the Interstate Commerce Commission" or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor and the rights of the Lessor under this Lease. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such names and word or words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not permit the identifying number of any Unit to be changed except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease will have been filed, recorded and deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership.

6. Taxes. All payments to be made by the Lessor hereunder will be free of expense to the Lessee for collection or other charges and will be free of expense to the Lessee with respect to the amount of any local, state or federal taxes, assessments or licenses and any charges, fines or penalties in connection with or measured by, this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof all of which taxes, assessments, licenses, charges, fines and penalties the Lessor assumes and agrees to pay in addition to the payments to be made by it provided for herein. The Lessor will also pay all taxes, assessments or licenses (and any charges, fines or penalties in connection therewith) which may be imposed upon any Unit or for the use or operation thereof and will keep at all times all and every part of such Unit free and clear of all taxes and assessments which might in any way affect the title of the Lessor or result in a lien upon any such Unit.

7. Casualty Occurrence. In the event that any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged or obsolete or economically unserviceable for use from any cause whatsoever, or any Unit shall be condemned, confiscated, or seized, or the title to or use of any Unit shall be

requisitioned for a period of 90 continuous days (such occurrences being hereinafter called Casualty Occurrences) during the term of this Lease, the Lessee shall on the next succeeding rental payment date after it shall have determined that such Unit has suffered a Casualty Occurrence, fully inform the Lessor in regard thereto. On such date the Lessee shall pay to the Lessor an amount equal to the accrued rental for such Unit to the date of such payment. Upon the making of such payment by the Lessee in respect of a Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit.

Except as hereinabove in this paragraph 7 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 Unit after delivery to and acceptance thereof by the Lessee hereunder.

8. Report and Inspection. On or before January 1 in each year, commencing with the Calendar year 1988, the Lessee will furnish to the Lessor (a) an accurate statement setting forth as of the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year and (b) such other information regarding the condition and state of repair of the Units as the Lessor may reasonably request. The Lessor, at its sole cost and expense, shall have the right by their agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

9. Compliance with Laws and Rules; Maintenance; Insurance and Indemnification. The Lessor makes no warranty or representation, either expressed or implied, as to the design, compliance with specifications, or condition of, or as to the quality of the material, equipment or workmanship in, the Units delivered to the Lessee hereunder, and THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE, OR AS TO CONDITION, COMPLIANCE WITH SPECIFICATIONS, QUALITY OR (EXCEPT AS SET FORTH IN PARAGRAPH 2 HEREOF) AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, OR COMPONENT THEREOF, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee.

The Lessee agrees, for the benefit of the Lessor, to comply in all respects with all laws of the jurisdictions in which operations involving any Unit subject to this Lease may extend,

with the interchange rules of the Association of American Railroads and with all rules of the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over any such Unit, to the extent such laws and rules affect the operations or use of such Unit; and in the event such laws or rules require the alteration of any such Unit, the Lessee will conform therewith, and will maintain the same in proper condition or operation under such laws and rules; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Lessor, adversely affect the property or rights of the Lessor hereunder.

During the term of this Lease commencing with the delivery and acceptance of the Units with respect to each, Lessor shall perform or cause to be performed all maintenance and repair work necessary to maintain the Units in good operating condition in conformity with all applicable laws and regulations including the AAR Code of Rules and FRA Railroad Freight Car Safety Standards except that Lessee shall perform or cause to be performed the following:

1) repairs or maintenance required to any and all parts of the Units that are above the deck such as bunks and tie downs or other securement devices; or

2) repairs or maintenance required as a result of damage caused by the Lessee, its agents, representatives, customers or independent contractors or any third party; or

3) repairs or maintenance required because of excessive or unbalanced loading.

Lessee will make the Units available to Lessor or its contractors at any facility specified by Lessor at any reasonable time for the purpose of maintenance inspection and to ensure regular maintenance or repairs. Lessor shall pay all transportation charges for moving any Unit to the repair or inspection facility designated by Lessor. Rent shall abate for any Unit requiring Lessor responsible repairs or inspection forty-eight hours after the Unit is delivered to the repair or inspection facility designated by Lessor; rent shall resume as of the date that such Unit is returned to the Lessee in serviceable condition. If Lessor is unable to perform repairs and return a Unit within a fixed period of time mutually agreed to, Lessor will furnish Lessee a substitute Unit or eliminate the Unit from the terms, conditions and obligations of the Lease Agreement.

In the case of damage caused to any of the Units which is the responsibility under AAR Rules of a railroad and not repaired by such railroad, Lessor will perform the necessary repairs and

will prepare and submit such documents as are necessary to recover the cost of such repair in accordance with AAR Rules and will perform all necessary administrative tasks in connection with such counter-billing. Lessor will be solely entitled to any sum so recovered.

Lessee will at Lessor's request, take such reasonable action as Lessor may specify to modify operating conditions which in Lessor's reasonable opinion are causing undue and avoidable wear or damage to the Units.

Neither party will alter materially the physical structure or allow any third party to alter materially the physical structure of any of the Units without the other party's written consent.

Lessor reserves the right to retire any car that in its sole opinion it deems uneconomical to repair. Lessee's obligation to pay rent shall abate for any Unit retired by Lessor as of the date on which it is retired or when such Unit is delivered to Lessor's repair or inspection facility, whichever occurs first.

Lessor may from time to time subcontract with others to perform Lessor Responsible maintenance, but such subcontracts shall not relieve Lessor of its obligation hereunder to perform such maintenance.

Lessor may from time to time perform running repairs to the Units. Running repairs are defined as those requiring less than \$250 of expenditure for both labor and material to place the Unit into good operating condition.

Subject to paragraph 7, the Lessee agrees it will return the Units to the Lessor at the expiration of the term or sooner termination of this Lease in good order and repair, ordinary wear and tear excepted, suitable for movement in the interchange system.

Any and all additions to any Unit and any replacements thereto and of parts thereof made by the Lessee shall constitute accessions to such Unit and, without cost or expense to the Lessor, there shall be immediately vested in the Lessor the same interest therein as the interests of the Lessor in such Unit.

The Lessor will at all times during the term of this Lease, at its own expense, cause to be carried and maintained insurance or self insure in respect of the Units 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 Lessor on similar equipment owned by it.

The Lessee agrees to indemnify and save harmless the Lessor against any charges or claim made against the Lessor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, penalties and interest) which the Lessor may incur in any manner (unless resulting from the Lessor's sole negligence) by reason of entering into or the performance of this Lease or the ownership of, or which may arise in any manner out of or as a result of the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of, any Unit until such Unit is returned to the Lessor in accordance with the terms of the Lease, and to indemnify and save harmless the Lessor against any charge, claim, expense, loss or liability on the account of any accident (unless resulting from the Lessor's sole negligence) in connection with the operation, use, condition, possession or storage of such Unit resulting in damage to property or injury or death to any person. The indemnities contained in this paragraph shall survive payment or performance of all other obligations under this Lease or the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all mandatory reports of which the Lessee has or reasonably should have actual knowledge, except income tax reports, to be filed by the Lessor, with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing of the Units to the Lessee. The Lessor shall notify the Lessee of any such reports of which the Lessor has actual knowledge.

10. Return of the Units Upon Expiration of Term. As soon as practicable on or after the expiration of the term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessor or its Affiliates as the Lessor may reasonably designate, but in no case shall the cost and expense of delivery exceed the cost of moving the Units from the Lessee's initial loading point(s) in California and Idaho as outlined in paragraph 1 to Chehalis Junction, Washington.

The delivery of the Units as hereinbefore provided is 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 deliver the Units.

11. Default. If, during the continuance of this Lease, one or more of the following events (hereinafter sometimes called Events of Default) shall occur;

(a) default shall be made in the payment of any part of the rental provided in paragraph 3 hereof and such default shall continue for ten days after written notice is sent to Lessee;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

(c) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for thirty days after written notice from the Lessor to the Lessee specifying the default and demanding the same to be remedied;

(d) any proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extension (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder), and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decreed, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that the status of such shall be the same as expense of receivers, within thirty days after such appointment, if any, or sixty days after such proceedings shall have been commenced, whichever shall be earlier;

(e) any material representation made by the Lessee herein or in any certificate or other instrument delivered under or pursuant to any provision hereof shall prove to have been false or incorrect in any material respect on the date as of which made;

then, in any such case, the Lessor, at its option may:

(i) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(ii) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and determine as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon, the Lessor may in a reasonable manner and without damage to

the property of the Lessee or injury to any person by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (a) as representing actual loss incurred by the Lessor, damages for loss of the bargain and not as a penalty, a sum, with respect to each Unit which represents the then present value of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit, such present value to be computed in each case on a basis of a 13% per annum discount, compounded annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (b) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental, including, without limitation, expenses of resale or re-leasing (including incidental transportation costs incurred by Lessor).

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

12. Return of Units Upon Default. If this Lease shall terminate pursuant to Paragraph 11 hereof, the Lessee shall

forthwith deliver possession of the Units to the Lessor. The condition of the Units upon such return shall be as required pursuant to Paragraph 9 hereof. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense, and risk place such Units upon such storage tracks of the Lessor or its Affiliates as the Lessor reasonably may designate or, in the absence of such designation, as the Lessee may select. The delivery of the Units as hereinbefore provided 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 deliver the Units.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Paragraph 12, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Unit. In connection therewith Lessee will supply Lessor with such documents as Lessor may reasonably request.

13. Assignment; Possession and Use. Conditioned upon the Lessee performing all of the terms, covenants, and conditions of this Lease, the Lessor, its successors and assigns will not disturb the Lessee's peaceable and quiet possession and use of the Units during the term of this Lease, provided, that no Event of Default has occurred and is continuing. The Lessor will, however, have the right to substitute similar Units after ninety (90) days following Lease commencement provided that such substitution does not interfere with the Lessee's peaceful and quiet possession and use of the Units.

This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including but not limited to the rights under Paragraphs 6, 9 and 11) shall inure to the benefit of the Lessor's assigns. Whenever the term Lessor is used in this Lease it shall apply and refer to each assignee of the Lessor.

So long as the Lessee shall not be in default under this Lease, the Lessee may without any prior consent of the Lessor sublease any one or more of the Units or assign this Lease to any one or more of the Lessee's Affiliates, or with the prior written consent of the Lessor sublease the Units to third parties; pro-

vided, that (i) such sublease or assignment shall provide that the subject Units shall be operated and maintained in accordance with the terms hereof; (ii) the Lessee shall provide the Lessor with 10 days advance notice of any such sublease or assignment and a copy of such sublease or assignment; (iii) such sublease shall be subject and subordinate to the terms and provisions of this lease and the interests of the lessor; and (iv) no such sublease or assignment shall relieve Lessee of its obligations hereunder, which shall remain those of a principal and not a surety.

The Lessee represents and warrants that: (i) Lessee (or any assignee or sublessee) will not at any time during the term of this Lease use or fail to use any Unit, in such a way as to disqualify it as "Section 38 property" within the meaning of Section 48 of the Code; (ii) Lessee (or any assignee or sublessee) will at all times during the term of this Lease use each Unit in such a way that for federal income tax purposes, all amounts includable in the gross income of Lessor with respect to each Unit and all deductions allowable to Lessor with respect to each Unit will be treated as derived from, or allowable to, sources within the United States; and (iii) Lessee will maintain sufficient records to verify such use, which records will be furnished to Lessor within 30 days after receipt of a written demand therefor.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but the Lessee shall not assign or transfer (except as otherwise permitted by this paragraph 13) or encumber its leasehold interest under this Lease in the Units or any of them (except to the extent that the provisions of any existing mortgage on any of the lines of railroad of the Lessee may subject such leasehold interest to the lien thereof); and, in addition, the Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge or other encumbrance (other than an encumbrance resulting from claims against the Lessor not related to the ownership of the Units) which may at any time be imposed on or with respect to any unit or the interest of the Lessor, or the Lessee therein. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provision of the next succeeding paragraph hereof.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors)

is owned directly or indirectly by the Lessee, or its Affiliates, or upon lines of railroad over which the Lessee or any such corporation has trackage or other operating rights or over which railroad equipment of the Lessee is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other railroads in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease.

Nothing in this Paragraph 13 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation (which shall have duly assumed the obligations hereunder of the Lessee) into 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, however,~~ (i) that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition be in default under any provision of this Lease, (ii) such assignee or transferee shall be of a character so that after giving effect to such merger, consolidation or acquisition, the ability of the assignee or transferee to perform the obligations of the Lessee hereunder shall not, in the reasonable opinion of the Lessor, be adversely affected; and (iii) such assignee or transferee shall execute an assumption agreement expressly assuming all of the obligations of the Lessee hereunder (including, but not limited to, Paragraph 17 hereof).

In connection with any sublease or assignment by Lessee under this Paragraph 13, whether or not Lessee is required to obtain the consent of the Lessor to any such transaction, Lessee agrees, at its expense, to cause any such assignment or sublease to be duly filed and recorded with the Interstate Commerce Commission in accordance with the 49 U.S.C. 11303 in order to protect the interest of the Lessor in and to the Units under this Lease.

The Lessee agrees that during the term of this Lease, the Lessee will not assign any Unit to service involving the operation and maintenance thereof outside the United States of America and that during such term of any Unit outside the United States of America will be limited to incidental and temporary use in Canada.

14. Purchase/Lease Option. It is agreed that the Lessee has the option at the expiration of this Lease to lease all, but not less than all, of the surviving Units or substitute Units of similar age, configuration, and condition at the rental price of \$185.00 per Unit for sixty (60) monthly installments, payable monthly in advance. The Lessee shall be responsible for all maintenance, taxes, and insurance required during such sixty (60) month lease extension. All other terms and conditions of this Lease will remain in effect during such

extension hereof. Such Option is to be exercised, if at all, by giving of notice of exercise at least 60 days prior to such expiration. Further, it is agreed that the Lessee has the option at the expiration of such lease extension to purchase all, but not less than all of the surviving Units or substitute Units of similar age, configuration, and condition at the fair market value at such time of lease expiration. If the Lessor and Lessee cannot reach mutual agreement as to fair market value within 30 days after notice of exercise of the Option, such Option will be considered null and void and Lessee shall have the right to exercise any one of the remaining options in this Lease. If agreement as to fair market value is reached between Lessor and Lessee under the Purchase Option, the Lessor covenants to deliver good title to said Units to the Lessee free and clear of any liens upon payment of the purchase price therefore.

15. Lessee's Opinion of Counsel. Concurrently with or as soon as practicable after the execution and delivery of this Lease, the Lessee will deliver to the Lessor the written opinion of counsel for the Lessee, in scope and substance reasonably satisfactory to the Lessor and its counsel, to the effect that:

(a) the Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of its jurisdiction of incorporation, with adequate corporate power to enter into this Lease;

(b) this Lease has been duly authorized, executed and delivered by the Lessee and constitutes a valid, legal and binding agreement, enforceable in accordance with its terms;

(c) the execution and performance of this Lease will not contravene or breach or create a material default under any legal, organizational or contractual obligation binding upon the Lessee;

(d) this Lease has been duly filed and recorded with the Interstate Commerce Commission under 49 U.S.C. 11303; no other filing or recording is necessary to protect in the United States of America the right, title and interest of the Lessor in and to the Units.

16. Recording. Prior to the delivery and acceptance of the Units, and in connection with any sublease or assignment permitted by Paragraph 13 hereof, the Lessee will cause this Lease and any such sublease or assignment to be filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. 11303. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister,

rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection to the satisfaction of the Lessor of its title to the Units or for the purpose of carrying out the intention of this Lease.

17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

If to the Lessor: Helm Financial Corporation  
One Embarcadero Center  
Suite 3320  
San Francisco, CA 94111

If to the Lessee: Longtree International, Inc.  
West 201 North River Drive  
Suite 210  
Spokane, WA 99201

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

18. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition of unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

19. Effect and Modification of Lease. This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supercedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

20. Successors and Assigns. This Lease will bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

21. Execution. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original, and in each case such counterparts together shall constitute but one and the same instrument.

22. Law Governing. This Lease shall be construed, and all questions concerning its performance and the rights and reme-

dies of the parties hereunder shall be determined, in accordance with the laws of California; provided, however, that the parties shall be entitled to all rights conferred by U.S.C. 11303.

IN WITNESS WHEREOF, the Lessor and the Lessee, each pursuant to due authority, have caused these presents to be signed in their respective names as of the date first above written.

Attest:

*Max W. [Signature]*  
-----  
Title *Account Manager*  
-----

HELM FINANCIAL CORPORATION

By *[Signature]*  
-----  
Title *President*  
-----

Attest:

-----  
Title \_\_\_\_\_

LONGTREE INTERNATIONAL, INC.

By *[Signature]*  
-----  
Title *President*  
-----

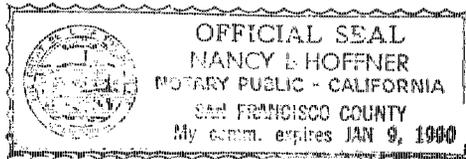
STATE OF CALIFORNIA        )  
  ) ss.  
COUNTY OF SAN FRANCISCO )

On this 31<sup>st</sup> day of August, 1987, before me personally appeared Richard C. Kirchner, to me personally known, who, being by me duly sworn, says that he is President of HELM FINANCIAL CORPORATION, that said instrument was signed and sealed on behalf of said corporation 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 corporation.

Nancy L. Hoffner  
-----  
Notary Public

My Commission Expires: January 9, 1990

[Notarial Seal]



STATE OF WASHINGTON        )  
  ) ss.  
COUNTY OF SPOKANE        )

On this 18 day of Sept, 1987, before me personally appears Larry E. Beck, to me personally known, who being by me duly sworn says that he is a President of LONGTREE INTERNATIONAL, INC., that said instrument was signed and sealed on behalf of said corporation by authority of its President and Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Diana A. Peterson  
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Notary Public

My Commission Expires: Aug 15, 1991

[Notarial Seal]



Annex A

to

Lease of Railroad Equipment

Dated as of August 28, 1987

Equipment Description

Equipment Numbers

100 Ton, 68-foot log  
loading cars

WTCX 307	WTCX 327
308	328
309	332
310	333
311	336
312	337
313	339
314	340
315	341
316	342
319	343
322	344
323	345
324	347
326	361