



RECORDATION NO 1 5205 Filed & Recorded RECORDATION NO 1 5205 Filed & Recorded
 APR 7 1987 2-2 0 PM APR 7 1987 2-2 0 PM
 INTERSTATE COMMERCE COMMISSION INTERSTATE COMMERCE COMMISSION

Queen Anne Business Banking Office

April 1, 1987

No. 7-087A041
 Date APR 7 1987
 Fee \$ 10.00
 ICC Washington, D. C.

Secretary
 Interstate Commerce Commission
 Washington, D.C. 20423

Re: Document for Recordation

Dear Secretary:

I have enclosed an original and one copy/counterpart of the documents described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a mortgage and assignment of lease. This primary document is dated March 30, 1987. We request that the assignment be cross-indexed.

The names and addresses of the parties to the document are as follows:

1. Mortgagor - Coast Engine & Equipment Corporation
 4012 East-West Road
 Tacoma, Washington 98421
2. Mortgagee - Seattle-First National Bank
 Queen Anne Business Banking Office
 425 - 1st Avenue West
 Seattle, Washington 98119
3. Lessee - Washington Central Railroad Company, Inc.
 6 West Arlington
 Yakima, Washington 98901

APR 7 2 15 PM '87
 ICC OFFICE OF THE SECRETARY
 BOSTON OPERATING UNIT

Seattle-First National Bank will be the Assignee of the Lease between Coast Engine & Equipment Corporation and Washington Central Railroad Company, Inc. A copy of this Lease is incorporated into the above described primary document as Exhibit B. Said Lease has not previously been filed. Seattle-First National Bank is also to be the Mortgagee of eight Locomotives belonging to Coast Engine & Equipment Corporation. A description of these Locomotives is attached hereto as Exhibit A and made a part hereof.

A fee of \$20.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the following address:

Seattle-First National Bank
Queen Anne Business Banking Office
425 1st Avenue West
Seattle, Washington 98119

A short summary of the document to appear in the index is as follows:

Primary Document - This document is a Mortgage and Assignment of Lease between Coast Engine & Equipment Corporation of 4012 East-West Road, Tacoma, Washington 98421, as Mortgagor/ Owner of the Locomotives, as Lessor of the Locomotives subject to the Lease and as Assignor of the Lease subject to assignment, and Seattle-First National Bank, 425 - 1st Avenue West, Seattle, Washington 98119, as Mortgagee of the Locomotives and Assignee of the Lease. Said Agreement grants Seattle-First National Bank a Mortgage in eight Locomotives and in a certain lease of seven of these Locomotives. Said Lease is with Washington Central Railroad Company, Inc. 6 West Arlington, Yakima, Washington 98101 as Lessee. The eight locomotives are briefly described as follows:

Two (2) - EMD, GP-9 Diesel Electric Road Locomotive Engines

and

Six (6) - EMD, SW-1200 Diesel Electric Road Locomotive Engines.

Sincerely,



Timothy R. O'Hara
Business Banking Officer
Seattle-First National Bank

TRO/lkr
enclosures

EXHIBIT A
Description of Locomotives

<u>Type</u>	<u>A.A.R. Mechanic Designation</u>	<u>Serial Number</u>	<u>Borrower's Identification Number</u>	<u>Lessee</u>
1. EMD-Diesel Electric Road Engine	GP-9 (1750 B.H.P.)	5505-18	CEECO #301	WA Central R.R. Co., Inc.
2. EMD-Diesel Electric Road Engine	GP-9 (1750 B.H.P.)	5504-14	CEECO #302	WA Central R.R. Co., Inc.
3. EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	4492-5	CEECO #201	WA Central R.R. Co., Inc.
4. EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	7766-12	CEECO #202	WA Central R.R. Co., Inc.
5. EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	7859-7	CEECO #203	WA Central R.R. Co., Inc.
6. EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	4473-5	CEECO #211	WA Central R.R. Co., Inc.
7. EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	4473-9	CEECO #212	WA Central R.R. Co., Inc.
8. EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	7638-2	CEECO #207	Port of Tacoma

Interstate Commerce Commission
Washington, D.C. 20423

4/8/87

OFFICE OF THE SECRETARY

Timothy R. O'Hara
Business Banking Officer
Seattle-First National Bank
Queen Anne Business Banking Office
425 1st. Avenue West
Seattle, Washington 98119

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 4/7/87 at 2:20pm, and assigned recordation number(s). 15205 + 15205^A

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

APR 7 1987 2-2 0 PM

INTERSTATE COMMERCE COMMISSION
EQUIPMENT MORTGAGE AND LEASE ASSIGNMENT

This Equipment Mortgage and Lease Assignment (the "Agreement") is made as of this 30th day of March, 1987, by and between Coast Engine and Equipment Corporation ("Borrower") and Seattle-First National Bank ("Lender").

RECITALS

A. Borrower wishes to borrow and Lender is prepared to extend credit in the approximate amount of \$690,000 and \$68,000 in accordance with a certain loan agreement and standby letter of credit agreement dated as of March 30, 1987 and of March 30, 1987 respectively (the "Loans"), said Loans to be evidenced by certain agreements, notes and security agreements executed in connection therewith (hereinafter referred to as the "Supplemental Agreements").

B. Borrower is the owner of eight railroad locomotives as described in Exhibit A attached hereto and made a part hereof (the "Locomotives"). Seven of these Locomotives, as designated in Exhibit A, are subject to a long-term lease to Washington Central Railroad Company, Inc. ("WCRC"). Exhibit B is a copy of the locomotive lease agreement between Borrower and WCRC (hereinafter the "Lease"). Exhibit C represents the amounts due and owing under the Lease.

C. As an express condition of Lender making the Loans, Borrower must grant Lender a security interest in the collateral set forth in Recital B above.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and promises herein contained and contained in the Supplemental Agreements, it is agreed as follows:

1. Security Interest. Borrower hereby grants to Lender a first priority security interest in all right, title and interest that Borrower has or may hereafter acquire in the Locomotives and Lease, including without limitation, all rights to payment thereunder (such rights are hereinafter called the "Collateral"). This security interest is given to secure the payment and performance of any and all obligations of the Borrower hereunder, under the Loans or under any of the Supplemental Agreements (the "Obligations").

2. Lender's Interest. Borrower represents that it has good title to the Collateral and owns the same free and clear of any security interests, charges or liens of any kind except for such interests Borrower has previously disclosed to Lender

in writing and to which Lender has expressly consented. Borrower shall insure that Lender has, throughout the life of this Agreement, a perfected first priority security interest in the Collateral and Borrower shall, at its own expense, insure that all registrations necessary to effect and maintain Lender's perfected first position security interest in the Collateral are done. Borrower shall execute any and all agreements that may be necessary or desirable in order to effect or maintain the security interest including, without limitation, execution of the transmittal letter and form of acknowledgment set forth in Exhibits E and F hereto.

3. Indemnity. Borrower will indemnify and hold harmless the Lender, its assigns, officers, directors, shareholders, agents, employees and servants against all claims (including third party claims), suits, liabilities, damages, and costs, including attorneys' fees, arising out of or in connection with ownership, possession, operation, maintenance, service, repair, modification or use of the Collateral, out of this Agreement or out of the exercise and performance by Lender of any of its rights and powers hereunder.

4. Taxes. Borrower will pay before delinquency any tax or other governmental charge which is or may become a lien or charge on the Collateral and will pay any tax which may be levied on any obligation secured hereby.

5. Leasing of Locomotives. Except as expressly provided herein, Borrower may not lease the Locomotives or otherwise permit any of the Locomotives to be used by any other party without Lender's prior written consent. Lender grants its consent to the leases set forth in Exhibit C hereto. Borrower shall perform all of its obligations required by the Lease and will not take any action that would impair, damage, destroy or alter the Lender's security interest in the Collateral. Borrower will not alter or amend the terms of the Lease without the written consent of Lender. Borrower will not permit WCRC (or any other lessee of the Locomotives) to assign or sublease any Locomotive without the written consent of the Lender.

6. Insurance. As between Lender and Borrower, Borrower shall bear all risk of loss of or damage to the Locomotives and shall obtain, maintain and keep in force, at its own cost and expense such insurance and with such insurance companies as the Lender shall reasonably require including, without limitation, the following:

a. Casualty insurance on each of the Locomotives in an amount not less than the fair market value of the Locomotive;

b. Liability insurance in an amount not less than
\$500,000.00.

Lender shall be named an additional insured on all liability and casualty policies and shall be named sole loss payee on any casualty policy. The existence of any insurance on the Locomotives shall not release or excuse Borrower from its obligations hereunder. Borrower shall furnish Lender with copies of all insurance policies and shall obtain such other documents and evidence as Lender shall reasonably request. Lender shall directly receive any and all payments on any casualty insurance (and in the event Borrower shall receive such payments, Borrower shall immediately forward the same to Lender) and Lender may apply such payments to the Obligations, provided that in the event payment shall be made on any casualty insurance with respect to damage to a Locomotive and such payments is less than \$5,000.00 Lender shall forward such payment to Borrower upon Borrower's confirmation that the damage occasioning the payment has been repaired.

7. Expenses. If Borrower fails to perform any act required hereunder, Lender may, in its discretion, and without any obligation to do so, take such action as it shall deem necessary for the account of, and at the expense of Borrower. Borrower will reimburse the Lender for all expenses incurred by it in perfecting or preserving its security interest in the Collateral, or for all other actions taken by it pursuant thereto, and such costs shall be secured hereby.

8. No Setoff. In no event shall any failure of any lessee, including WCRC, to make payments or any accident or injury to any of the Locomotives in any way excuse or release Borrower from any of its obligations to Lender hereunder, under the Loans, or under any of the Supplemental Agreements. Borrower represents that the Lease is not in default or breach of any kind and that WCRC has no offset or counterclaim against Borrower of any kind.

9. Notice to WCRC; Power of Attorney. Lender is authorized to notify WCRC and to effect direct collection of the Lease. At the request of Lender, Borrower agrees to enter into appropriate notices to WCRC. Lender is irrevocably appointed Borrower's attorney-in-fact and may in Borrower's name and place make demand, collect, receive and give acquittance for any and all amounts that may be or become due on the Lease and in its discretion may file a claim, commence a proceeding or take any action to enforce or collect payment. Lender shall not be obligated to perform any duty or obligation of Borrower to WCRC.

10. Collection on Lease.

a. Borrower will not sell or collect any part of the Collateral or the interest of Borrower therein save as provided in this Agreement or as provided by prior written consent of Lender.

b. Until contrary notice is given by Lender, the Borrower is authorized to enforce and collect the Lease, at Borrower's expense.

c. Upon notification by Lender to the Borrower to cease collecting on the Lease, Lender may proceed to collect said Lease and may deduct from the proceeds its reasonable expenses of collection; Lender is authorized to receive in full satisfaction of WCRC's obligation a sum less than the face amount thereof.

d. Any payment made by Borrower or any sum received by Lender through the realization and collection of the Lease or any of the Collateral may be applied as Lender shall elect to any obligation secured by this Agreement, whether matured or not matured.

e. Borrower will hold Lender harmless from any claims or loss or damage caused by any failure to collect any amount or enforce any contract or by any act or omission on the part of the Lender, its officers, agents and employees.

11. Accounting and Inspection of Books.

a. Borrower will maintain full and accurate books of account covering the Collateral (including all leases of Locomotives) assigned hereby and will deliver to Lender such books if so requested by Lender after or in connection with the termination of Borrower's authority to collect as herein provided.

b. Lender or its authorized agent shall at all reasonable times have free access to Borrower's ledgers, books of account and other written records relative to the Collateral, and such agents shall at all reasonable times have the right to be present at Borrower's place of business to receive all communications and remittances related to said Collateral.

12. WCRC Consent. Borrower shall obtain the consent of WCRC to the assignment of the Lease. Said consent shall be in the form of Exhibit D attached hereto.

13. Default. Time is of the essence in this Agreement, and in any of the following events hereinafter called "events of default" to wit:

a. Any failure to pay when due the full amount of a payment of principal, interest, taxes, insurance premiums or other charges which are or may be secured hereby; or

b. Any failure to perform as required by any covenant or agreement herein or by the Loans or by any Supplemental Agreement; or

c. Any failure to perform as required by any covenant or agreement of any Supplemental Agreement between Lender and any third party including, without limitation, any failure to perform by William F. Walker under his guaranty or security agreement with Secured Party; or

d. The falsity of any representation by Borrower herein or in any credit application or financial statement given by Borrower to Lender as a basis for an extension of credit secured hereby; or

e. If any of the Collateral should be seized or levied upon under any legal or governmental process against Borrower or against the Collateral; or

f. Should WCRC refuse, for any reason, to make a monthly payment under the Lease or should the Lease, for any reason, be terminated; or

g. If Borrower becomes insolvent or is the subject of a petition in bankruptcy, either voluntary or involuntary, or in any other proceeding under the Federal Bankruptcy laws, or similar laws, or makes an assignment for the benefit of creditors; or if Borrower is named in or the Collateral is subject to a suit for the appointment of a receiver; or

h. The Lease, for any reason whatsoever, becomes uncollectible in part or in its entirety; or

i. The Locomotives, or any one thereof, for any reason are damaged beyond economic repair or destroyed; or

j. The occurrence of any event of default under the Loans or any other Supplemental Agreement; or

k. The Lender deems itself insecure.

THEN in any such events of default, the entire amount of indebtedness secured hereby shall then or at any time thereafter, at the option of Lender, become immediately due and payable without notice or demand, and Lender shall have an immediate right to pursue the remedies provided herein.

13. Remedies. If an event of default occurs, Lender shall have all remedies provided by law, and, without limiting the generality of the foregoing, shall be entitled as follows:

a. To make notification as provided by this Agreement and pursue collection or, at Lender's option, to sell all or part of the Collateral and make application of all proceeds or sums due on said Collateral as provided for in this Agreement.

b. Upon notification to WCRC, Lender shall assume all rights (but none of the obligations unless Lender otherwise selects) of Borrower under the Lease including, without limitation, the right to receive all payments.

c. With regard to any Locomotives not subject to a valid lease, the Lender may take possession of any Locomotive and exclude Borrower therefrom. Borrower shall assemble the Locomotives at Lender's request. Lender may sell any or all of the Locomotives at one or more private or public sale, as a unit or in parcels, at such times and places, under one or more contracts, upon such terms and to such persons, including the Lender, as the Lender in its discretion shall determine. Public sale may be by auction or sealed bid. Any public or private sale will operate to divest Borrower of any interest it may have in the Locomotives sold, and title thereto shall vest in any purchaser immediately upon completion of the sale. Borrower irrevocably appoints Lender as its attorney in fact to transfer and convey any Collateral sold pursuant to this Agreement and to execute and deliver all instruments incident thereto. Borrower shall, upon request, execute and deliver to the purchaser or purchasers, all instruments required to confirm the title of such purchaser or purchasers to the collateral sold.

d. Lender may, at its discretion, proceed against any other collateral or parties.

e. Borrower agrees to pay, if this Agreement or any obligations secured by it is referred to an attorney for collection or realization, all costs and expenses including reasonable attorneys' fees, all court costs and other legal expenses, and such expenses so obligated are secured hereby.

f. Borrower agrees to pay any deficiency remaining after collection or realization by Lender on the Collateral secured by this Agreement.

15. Successors and Assigns. This Agreement shall be binding upon the successors and assigns of Borrower and shall inure to the benefit of the successors and assigns of Lender.

16. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Washington.

17. Notice. All notices, instructions, directions and other communications pursuant to this Agreement shall be in writing, unless otherwise expressly provided. Any notice hereunder to any of the persons shall be at the address set forth next to such person's name or to such other address as such other person shall, by prior notification, so select.

18. No Waiver. No failure by the Lender to exercise and no delay in exercising any right, power or remedy Lender may have under this Agreement or any of the Supplemental Agreements shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or remedy hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

COAST ENGINE & EQUIPMENT CORPORATION

By

Its

W. M. J. Walker
President

Address:

4012 East-West Road
Tacoma, WA 98421

SEATTLE-FIRST NATIONAL BANK

By

Its

Timothy R. O'Hara
Business Banking

Address:

425 - 1st Ave West
Seattle, WA 98119

FORM OF ACKNOWLEDGMENT

STATE OF WASHINGTON)

COUNTY OF KING)

On this 30th day of March, 1987, before me personally appeared [name of signor for Coast] to me personally known, who being by me duly sworn, says that he is the [title of officer] *→ William F. Walker* *President* of Coast Engine and Equipment] that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Nancy R. Cromwell

NOTARY PUBLIC in and for the State
of Washington, residing at *Seattle*
My appointment expires *July 16, 1988*

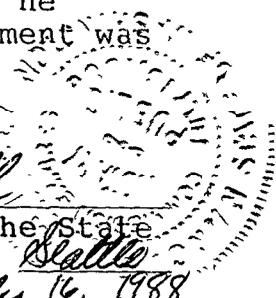


EXHIBIT A
Description of Locomotives

	<u>Type</u>	<u>A.A.R. Mechanic Designation</u>	<u>Borrower's</u>		<u>Lessee</u>
			<u>Serial Number</u>	<u>Identification Number</u>	
1.	EMD-Diesel Electric Road Engine	GP-9 (1750 B.H.P.)	5505-18	CEEEO #301	WA Central R.R. Co., Inc.
2.	EMD-Diesel Electric Road Engine	GP-9 (1750 B.H.P.)	5504-14	CEEEO #302	WA Central R.R. Co., Inc.
3.	EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	4492-5	CEEEO #201	WA Central R.R. Co., Inc.
4.	EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	7766-12	CEEEO #202	WA Central R.R. Co., Inc.
5.	EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	7859-7	CEEEO #203	WA Central R.R. Co., Inc.
6.	EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	4473-5	CEEEO #211	WA Central R.R. Co., Inc.
7.	EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	4473-9	CEEEO #212	WA Central R.R. Co., Inc.
8.	EMD-Diesel Electric Switch Engine	SW-1200 (1200 B.H.P.)	7638-2	CEEEO #207	Port of Tacoma



Queen Anne Business Banking Office

RECORDATION NO _____ Filed & Recorded

APR 7 1987 2:20 PM

INTERSTATE COMMERCE COMMISSION

No. 7-037A041
Date APR 7 1987
Fee \$ 10.00
ICC Registration, D C

Affidavit of Correctness

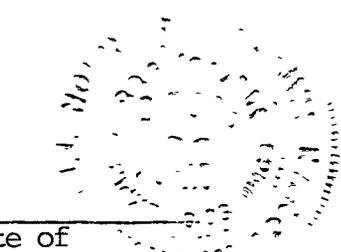
STATE OF WASHINGTON)
(ss.
COUNTY OF KING)

I, Gregg DeRitis have reviewed the attached copy of the Equipment Mortgage and Lease Assignment between Coast Engine & Equipment Corporation and Seattle-First National Bank, and have compared this copy with the original executed Agreement. Upon my review, I have found that the copy is complete and identical in all respects with the original document.

Gregg DeRitis AVP
Gregg DeRitis

SUBSCRIBED AND SWORN TO before me this 1st day of April, 1987.

Nancy R. Chammell
NOTARY PUBLIC in and for the State of
Washington, residing at Seattle
My Commission Expires July 16, 1988



ICC OFFICE OF
THE STORE-ARY
APR 7 2 15 PM '87
MOTOR OPERATING UNIT