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**Loritz & Associates**  
1100 Ravinia Place • Orland Park, Illinois 60462

RECORDATION NO. 20923 FILED

OCT 7 '97

11-50AM

Richard F. Loritz

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August 15, 1997

Office of the Secretary  
Surface Transportation Board  
12th Street & Constitution Ave., N.W.  
Washington, D.C. 20423-0001

RE: Lease of Locomotive Equipment  
National Railway Equipment Co., Lessor  
Columbia & Cowlitz Railway Company, Lessee

Dear Secretary:

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

This document is a lease of locomotive equipment and is a primary document dated July 10, 1997. The names and addresses of the parties to the documents are as follows:

**Lessor:** National Railway Equipment Co.  
14400 So. Robey  
P.O. Box 2270  
Dixmoor, IL 60426

**Lessee:** Columbia & Cowlitz Railway Company  
PO Box 209  
Longview, WA 98632

A description of the equipment covered by the document follows:

<b><u>Unit No.</u></b>	<b><u>Type</u></b>	<b><u>General Description</u></b>
2001	GP-20	EMD Road Locomotive

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SURFACE TRANSPORTATION  
BOARD

Surface Transportation Board  
August 15, 1997  
Page 2

A fee of ~~\$21.00~~ <sup>\$24.00</sup> is enclosed. Please return the original after recordation to:

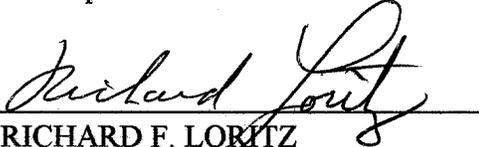
Richard F. Loritz  
1100 Ravinia Place  
Orland Park, IL 60462

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

A lease of locomotive equipment identified as one (1) locomotives, type GP-20, EMD Road Locomotive, with National Railway Equipment Co., as Lessor, and Columbia & Cowlitz Railway Company, as Lessee.

Very truly yours,

NATIONAL RAILWAY EQUIPMENT CO.  
an Illinois Corporation

BY: 

RICHARD F. LORITZ

ITS: Attorney and Agent in Fact

RFL/tc

Enclosures

nrec#815.97p

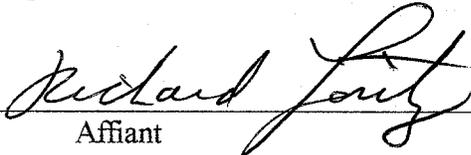
STATE OF ILLINOIS        )  
  ) ss  
COUNTY OF C O O K        )

**AFFIDAVIT**

The undersigned states that he has read a true copy of the original document and that the document attached hereto is a complete and identical document in all respects to the original.

The undersigned has compared the copy with the original and has found the copy to be complete and identical in all respects to the original document.

This Affidavit is made pursuant to the procedures in Section 117.3(2)(b) relative to the recordation of documents with the Surface Transportation Board.

  
\_\_\_\_\_  
Affiant

Subscribed and sworn to  
before me this 18 day of  
August, 1997.

  
\_\_\_\_\_  
Notary Public



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**COPY**

OCT 7 '97

11:50AM

LOCOMOTIVE LEASE AGREEMENT

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of the 10th day of July, 1997, between NATIONAL RAILWAY EQUIPMENT COMPANY, an Illinois Corporation, ("LESSOR"), and COLUMBIA & COWLITZ RAILWAY COMPANY, ("LESSEE").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:

1. LEASE AND LEASED PROPERTY

Lessee hereby leases from Lessor, the locomotive(s), ("Locomotives"), together with the parts, accessories, attachments and devices, if any, now or hereafter affixed thereto, as described in Schedule "A" attached to and made part hereof.

2. TERM

The term of this Lease for each locomotive shall be the fixed term set forth in Schedule "A", commencing on the date such locomotive is accepted by Lessee ("Commencement Date"). Upon termination of the lease, Lessee shall effect prompt delivery of the locomotive(s) to Lessor at Silvis, Illinois.

3. RENTAL

- A. The rental payable shall be the sum identified in Schedule "A" payable monthly in arrears. All rental payments are to be paid in arrears payable on the 10th calendar day of each month. Lessee shall operate such locomotive(s) in service on its railroad. If the Commencement Date for any locomotive does not fall on the first day of the month, the first rental payment shall be prorated accordingly if rented monthly.
- B. Payments past due for more than five (5) days shall bear interest at the rate of eighteen percent (18%) per annum.
- C. All rentals shall be paid to Lessor at National Railway Equipment Company, 135 LaSalle Dept. 1473, Chicago, IL 60674 or at such other address as Lessor may direct in writing.

4. TAXES

Lessee shall pay all use, excise, ad valorem, stamp, documentary and similar taxes on or relating to this lease of the locomotive(s), or the use, registration, rental, maintenance, possession or operation thereof, and shall file any returns required therefor, and shall hold Lessor harmless against any liability and expense (including attorney fees and costs) on account of Lessee's failure to do the same.

5. OWNERSHIP AND LESSOR'S INSPECTION

- A. The locomotive(s) shall at all times remain the sole and exclusive property of the Lessor.
- B. Upon reasonable notice to Lessee, Lessor or its agents shall have free access to the locomotive(s) at reasonable times for the purpose of inspections.
- C. No accessions, additions, alterations or improvements to the locomotive(s) of any nature, shall be made without Lessor's consent, but if any are made, they immediately shall become part of the locomotive(s) and shall become Lessor's property.
- D. Lessor shall keep the locomotive(s), at all times, free and clear from all claims, liens and encumbrances.
- E. This Lease is intended to be a true lease of the locomotive(s) and is not and in no way shall be construed as creating a sale of the locomotive(s) to Lessee.

6. DELIVERY/RETURN

Delivery of the locomotive(s) shall be deemed accepted by Lessee at Lessors' facility. Lessee shall pay all transportation charges for the shipment of the locomotive(s) to/from the lessor. Upon expiration or other termination of this Lease, Lessee shall return such locomotive(s) to Lessor at Silvis, Illinois in good order and condition, reasonable wear and tear excepted. Lessee shall pay or reimburse Lessor for any reasonable and ordinary expenses incurred by Lessor in returning the locomotive(s) to good order and condition, in delivering the locomotive(s) to Lessor or effecting return of the locomotive(s) from Lessee as provided herein.

7. LESSEE'S INSPECTION/WARRANTY DISCLAIMER

- A.
  - i. Lessee hereby acknowledges that Lessee has had or will have the opportunity to inspect the locomotive(s) prior to accepting delivery of same, and that acceptance of delivery of the locomotive(s) by Lessee constitutes acknowledgment that they have been received in good condition and repair.
  - ii. Lessor shall not be responsible for any repairs or maintenance of the Locomotive(s) during the term of this Lease.
- B. Delivery to and acceptance of the locomotive(s) by, and execution of a Schedule with respect thereto by Lessee shall constitute Lessee's acknowledgment that the locomotive(s) are of the manufacture, design and utility, quality and capacity selected by the Lessee, that Lessee is satisfied that the same is suitable for Lessee's purpose and that, LESSOR MAKES NO REPRESENTATION OR WARRANTY EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE LOCOMOTIVE(S), and Lessor hereby disclaims all such representation and warranties.

# COPY

## 8. USE AND MAINTENANCE

Lessee agrees that:

- A. Lessee shall be responsible and pay for all registrations, certificates, and permits, and all other similar requirements of governmental authorities, whether required to be obtained in the name of the Lessor or Lessee.
- B. The locomotive(s) shall be used and operated only by properly qualified, trained and registered personnel authorized by Lessee.
- C. Lessee shall comply with all federal, state, municipal and local laws, ordinances, and rules, and regulations relating to the lease, possession, insuring, use and operation of the locomotive(s).
- D. Lessee shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including without limitation the confiscation of the locomotive(s)) levied upon or arising out of the use, operation, maintenance or insuring of the locomotive(s) in violation of any law, ordinance, rule or regulation of any governmental authority.
- E. Lessee shall pay all costs, expenses and charges incurred in connection with the maintenance, lease, use and operation of the locomotive(s).
- F. Lessee shall maintain the locomotive(s) in good mechanical condition and running order and in compliance with OEM specifications and safety rules and regulations now or hereafter promulgated by applicable governmental authorities.
- G. Lessee shall keep and maintain any and all books and records and make any filings required by any governmental authority with respect to the possession, lease, use or operation of the locomotive(s).

## 9. INSURANCE/INDEMNIFICATION

- A. Public liability insurance providing coverage in an amount not less than three million (\$3,000,000.00) dollars combined single limit per occurrence shall be provided by Lessee at Lessee's sole expense throughout the term of this Lease as to each locomotive. The insurance policy or policies providing the foregoing coverage shall:
  - i. be written by an insurance company or companies satisfactory to Lessor and authorized to transact business in all of the states in which the locomotive(s) will be used and operated.
  - ii. name Lessor and Lessee as insured parties.
  - iii. protect the interests of Lessor and Lessee, including Lessee's authorized operators, with respect to liability for injuries to or the death of third party persons and damage to or loss of use of property of third persons resulting from the ownership, maintenance, use or operation of the locomotive(s).
  - iv. provide by endorsement or otherwise that the coverage shall be primary coverage as to Lessor.
  - v. provide that the insurance company or companies issuing such policy or policies shall notify Lessor of any cancellation thereof at least thirty (30) days prior thereto.

9. INSURANCE/INDEMNIFICATION(continued)

- B. Lessee, at Lessee's sole expense, shall provide collision and comprehensive physical damage insurance on each locomotive. The insurance policy or policies providing the foregoing coverages shall:
- i. be written in standard form by an insurance company acceptable to Lessor.
  - ii. provide coverage in an amount not less than the replacement value of the locomotive(s).
  - iii. provide for losses to be payable to Lessor and Lessee as their respective interests may appear.
- C. Lessee shall furnish Lessor with a certificate(s) of insurance or other evidence of said insurance coverage.
- D. Notwithstanding that Lessee shall provide certain insurance hereunder and irrespective of any responsibility for negligence, Lessee does hereby agree to defend, indemnify, protect and hold harmless Lessor and any assignees or successors of Lessor, and their respective employees and agents, from and against any and all losses, liabilities (including without limitation strict liability imposed by law), damages, injuries, claims, demands and expenses (including legal expenses) of whatsoever kind and nature, resulting from or arising out of the use, condition, operation or ownership of any locomotive. This covenant of indemnity shall continue in full force and effect notwithstanding the termination of this lease or the termination of the lease of any locomotive.
- E. Lessee assumes and agrees to indemnify, protect and hold free and harmless Lessor, any assignee or successor of Lessor, and their respective employees or agents, irrespective of any responsibility for negligence, from any loss, damage, theft or destruction of any locomotive.
- F. If Lessee shall fail to obtain or maintain the insurance coverage required in this lease, or shall fail to furnish Lessor with evidence thereof, Lessor at its option, may obtain such required insurance coverage on behalf of Lessee and Lessee's expense.

10. ASSIGNMENT AND LIENS

Lessor shall have the unconditional right to assign this lease, in whole or in part. Lessee shall have no right to assign or sub-lease this lease or any other of the locomotive(s) or any interest therein.

11. DEFAULT

- A. Lessee shall be in default under this Lease upon the happening of any of the following events or conditions ("Event of Default"):
- i. Default in the payment when due of any installment of rental hereunder or of any other obligation for the payment of money now or hereafter owed by Lessee to Lessor.
  - ii. Default in the timely performance of any other liability, obligation, covenant or agreement hereunder of Lessee.

**COPY**

12. REMEDIES UPON DEFAULT

- A. Upon the occurrence of any Event of Default or at any time hereafter, Lessor, in its sole discretion, may take any one or more of the following actions with respect to the locomotive(s):
- i. Declare all unpaid amounts of rental to be immediately due and payable.
  - ii. Terminate the lease of any or all locomotives by written notice to Lessee.
  - iii. Whether or not the lease is terminated, take possession of any or all locomotive(s) wherever found, and for this purpose Lessor may at Lessor's option enter upon the premises where such locomotive(s) are located and take immediate possession of and remove the same, all without liability to Lessee for damage to property or otherwise.
  - iv. Require that Lessee shall, upon written demand by Lessor and at Lessee's expense, promptly make available to Lessor at Lessee's expense, any or all Equipment at a places designated by Lessor which is reasonably convenient to both parties.
  - v. Use, hold, sell, lease or otherwise dispose of any or all such locomotive(s) as Lessor in its sole discretion may decide, without affecting the obligations of Lessee as provided in this Lease.
  - vi. Sell or lease any or all locomotive(s), at public or private sales or proceedings, at such time or times and upon such terms as Lessor may determine, free and clear of any rights of Lessee and, if notice thereof is required by applicable law, any notice in writing of any such sale or Lease by Lessor to Lessee not less than five (5) days prior to the date thereof shall constitute reasonable notice to Lessee.
  - vii. Proceed by appropriate action either at law or in equity to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof or to rescind the lease hereunder of any or all locomotive(s).
  - viii. Exercise any and all rights and remedies available to Lessor under any applicable law. In addition, Lessee shall be charged with and shall pay to Lessor all reasonable costs and expenses of Lessor incurred as a result of each Event of Default by Lessee.
- B. None of the rights and remedies under or referred to in this paragraph 14 is intended to be exclusive, but each such right or remedy shall as to each locomotive be cumulative and may be availed of separately or concurrently with or in addition to any other right or remedy provided or referred to herein or otherwise available to Lessor at law or in equity. Any repossession or subsequent sale or lease by Lessor of any locomotive(s) shall not bar an action against lessee for a deficiency. To the extent permitted by applicable law, LESSEE WAIVES ANY AND ALL RIGHTS TO NOTICE AND TO A JUDICIAL HEARING WITH RESPECT TO THE REPOSSESSION OF EQUIPMENT BY LESSOR AS A RESULT OF ANY EVENT OF DEFAULT HEREUNDER BY LESSEE.

**COPY**

12. REMEDIES UPON DEFAULT/(continued)

- C. Without limitation of any rights of Lessor otherwise existing or otherwise available to Lessor, it is expressly covenanted and agreed by the parties hereto that in the event of any assignment by operation of law of this Lease or of any lease hereunder, or of a bankruptcy of Lessee within the meaning of the Federal Bankruptcy Act, then Lessor may, at Lessor's election, terminate this Lease or any one or more leases hereunder.

13. RECORDATION OR LESSOR'S INTEREST

Lessee agrees to execute all recording documents requested by Lessor to show Lessor's interest in the locomotive(s). Lessee further authorizes Lessor to execute and file financial statements or other documents evidencing Lessor's interest in the locomotive(s) without Lessee's signature.

14. MISCELLANEOUS

- A. This Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Illinois.
- B. Neither this Lease nor any schedule shall be amended, and no provision hereof or of any Schedule shall be waived or varied unless by a writing signed by the parties.
- C. No delay or omission by Lessor in exercising any right hereunder shall operate as a waiver of such right or any other right. A waiver by Lessor of any Event of Default by Lessee shall not be construed as a waiver of any future occasion.
- D. In case any provision (or portions thereof) in this Lease shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions (or portions thereof) hereby shall not in any way be affected or impaired thereby.
- E. This Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors.
- F. All notices permitted or required to be given pursuant to this Lease shall be mailed by Certified or Registered Mail, Return Receipt Requested to the parties at the following addresses or at such other addresses as each party may notify the other.

If to Lessor: National Railway Equipment Co.  
P.O. Box 2270  
Dixmoor, IL 61282

If to Lessee: Columbia & Cowlitz Railway Company  
P.O. Box 209  
Longview, Washington 98632

**COPY**

15. EXTENSION OF LEASE TERM

A. Lessee shall have the option to extend the lease beyond the term specified in Schedule "A", if agreed to in writing, in advance, by the Lessor.

WITNESS WHEREOF, the parties have executed this Lease the day and year first mentioned above.

LESSOR:

LESSEE:

NATIONAL RAILWAY EQUIPMENT CO.

COLUMBIA & COWLITZ RAILWAY COMPANY

BY: Robert C. Frangella  
SIGNED: [Signature]  
TITLE: Vice President

BY: William A. Ellings  
SIGNED: [Signature]  
TITLE: General Manager

ATTEST:

ATTEST:

BY: [Signature]  
TITLE: Asst Secretary

BY: [Signature]  
TITLE: Traggie Mgr.

(Corporate Seal)

(Corporate Seal)

COLUMBIA & COWLITZ RY. CO.

SCHEDULE "A"

**COPY**

Attached to and incorporated into the Lease dated the 10th day of July, 1997 by and between NATIONAL RAILWAY EQUIPMENT COMPANY, (LESSOR) and COLUMBIA & COWLITZ RAILWAY COMPANY, (LESSEE).

Type and General Description of Locomotive Unit, Marks and Numbers:

<u>UNIT NO.</u>	<u>COMMENCEMENT DATE</u>	<u>TYPE</u>	<u>GENERAL DESCRIPTION</u>
2001	/ /	GP-20	EMD ROAD LOCOMOTIVE

<u>REPLACEMENT VALUE</u>	<u>TERM</u>	<u>LEASE RATE PER LOCOMOTIVE</u>	
		<u>MONTHLY</u>	<u>DAILY</u>
\$ ###,####.##/unit	90 CALENDAR DAYS	-----	\$###.##

LESSOR: NATIONAL RAILWAY EQUIPMENT COMPANY  
 BY: [Signature]  
 TITLE: Vice President

LESSEE: COLUMBIA & COWLITZ RAILWAY COMPANY  
 BY: [Signature]  
 TITLE: General Manager