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LAW OFFICES

REA, CROSS & AUCHINCLOSS

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RECORDATION NO. 18696-A FILED 1406

OCT 4 1994-3 12 PM

INTERSTATE COMMERCE COMMISSION

DONALD E. CROSS (1923-1986)

THOMAS M. AUCHINCLOSS, JR.
LEO C. FRANEY
JOHN D. HEFFNER
HARRY J. JORDAN
WILLIAM H. KENWORTHY
KEITH G. O'BRIEN
BRYCE REA, JR.
BRIAN L. TROLANO
ROBERT A. WIMBISH*
*MEMBER V.A. BAR ONLY

October 4, 1994

Ms. Janice Fort
Equipment Recordations Unit
Interstate Commerce Commission
12th & Constitution Ave., N.W.
Room 2303
Washington, D.C. 20423

RE: Agreement to Cancel Lease and Agreement to Purchase
Equipment
National Railway Equipment Company - Lessor/Seller
Idaho Northern & Pacific Railroad Company -
Lessee/Purchaser

RECEIVED
OFFICE OF THE
SECRETARY
OCT 4 3 11 PM '94
LICENSING BRANCH

Robert A. Wimbish

Dear Ms. Fort:

I have enclosed two copies of the document described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document includes an agreement to cancel a lease on locomotive equipment, and also includes an agreement (between the parties of the above lease) to sell and purchase the same locomotive equipment. This document is a secondary document dated September 26, 1994. The names and addresses of the parties to the document are as follows:

LESSOR/SELLER

National Railway Equipment Company
14400 S. Roby
Dixmoor, IL 60426

LESSEE/PURCHASER

Idaho Northern & Pacific Railroad Company
4420 W. Vickery Blvd., Suite 110
Fort Worth, TX 76107

A description of the equipment covered by the document follows:

Ms. Janice Fort
October 3, 1994
Page 2

LOCOMOTIVES

<u>Model</u>	<u>Previous Road Name/No.</u>	<u>IN&P Road Number</u>	<u>Manufacturer's Serial Number</u>
GP 40	CSX 6663	4500	7929-7
GP 40	CSX 6668	4501	7929-12
GP 40	CSX 6700	4502	7944-1
GP 40	CSX 6727	4503	7183-7
GP 40	CSX 6735	4504	7183-15
GP 40	CSX 6767	4505	7229-18
GP 40	CSX 6808	4506	7075-2
GP 35	NS 2656	4507	7774-12
GP 35	NS 2657	4508	7774-13
GP 35	NS 2672	4509	7774-26
GP 35	NS 2675	4510	7774-29

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

A termination of prior lease of locomotive equipment, and sale of locomotive equipment, identified as seven (7) locomotives, type GP40, and four (4) locomotives, type GP35, with National Railway Equipment Company as Lessor/Seller and Idaho Northern & Pacific Railroad Company as Lessee.

Also enclosed is a notarized Affidavit executed by William M. Warren, General Counsel for Idaho Northern & Pacific Railroad Company, declaring that the two copies of the enclosed Agreements are identical to the original.

A fee of \$18.00 is enclosed.

Sincerely yours,

Robert A. Wimbish
Robert A. Wimbish
Counsel for Idaho Northern
& Pacific Railroad Company

Enclosures

cc: William Warren, Esq.
Richard Bertel

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Robert A. Wimbish
Rea, Cross & Auchincloss
Suite
1920 N Street, NW.
Washington, DC. 20036

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 10-4-94 at 3:15 PM, and assigned recordation number(s). 18696-A.

Sincerely yours,

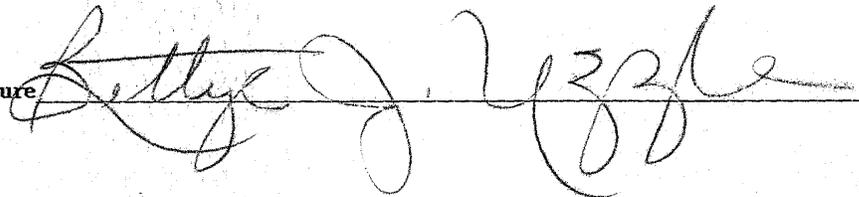


Vernon A. Williams
Acting Secretary

Enclosure(s)

\$ 18.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



RECORDATION NO. 18696A FILED 1026

OCT 4 1994-3 15 PM

INTERSTATE COMMERCE COMMISSION

AGREEMENT TO CANCEL LEASE AND AGREEMENT TO PURCHASE EQUIPMENT

WHEREAS, NATIONAL RAILWAY EQUIPMENT COMPANY, an Illinois corporation (hereinafter referred to as "National"), and IDAHO NORTHERN & PACIFIC RAILROAD COMPANY, a Delaware corporation (hereinafter referred to as "INPR") previously entered into a Lease of certain locomotive equipment, dated November 5, 1993. Said Lease provided, among other matters, that "National" would lease to "INPR" eleven (11) locomotives as described in said Lease and on the terms described in said Lease Agreement; and,

WHEREAS, said Lease Agreement provided that the locomotives would also be "qualified prior to delivery and shall be in compliance with the Federal Railroad Administration requirements"; and,

WHEREAS, said Lease Agreement provided that the locomotives would be qualified within the work scope attached to said Lease as an exhibit; and,

WHEREAS, disputes and disagreements have arisen between the parties regarding the qualifications of said locomotives within the work scope attached to said Lease and whether or not said locomotives are in compliance with the Federal Railroad Administration requirements; and,

WHEREAS, the parties by this Agreement desire to compromise and settle all disputes among them of any nature, and to terminate said Lease Agreement on the terms hereinafter stated; and,

WHEREAS, "National" desires to sell, transfer and convey the locomotives, as well as the additional equipment as stated at Paragraph 3 herein, to "INPR" on the terms and conditions hereinafter set forth.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS for and in consideration of the mutual promises, covenants and warranties stated herein, all of which consideration is deemed good and sufficient, the parties hereto agree to the following:

1. Cancellation of Lease Agreement. That one certain Agreement entitled *Lease of Locomotive Equipment* and entered between "National" and "INPR" dated November 5, 1993 is hereby cancelled and held for naught. "National" hereby releases and discharges "INPR", its officers, directors, agents, employees, and attorneys from any and all obligations for rental payments, interest payments, or fees of any kind or nature that may have been owed to "National" or incurred by "INPR" under the terms of said Lease Agreement. "National" furthermore releases Rio Grande Pacific Corporation, its officers, directors, agents, employees, and attorneys from any and all obligations that Rio Grande Pacific Corporation might have under the terms of a *Guaranty Agreement* dated November 5, 1993 by which the Rio Grande Pacific Corporation guaranteed the obligations of "INPR" regarding any indebtedness to "National".

2. Transfer of Locomotives. "National" hereby sells, transfers, conveys and assigns to "INPR" the eleven (11) locomotives described on Exhibit "A" attached hereto and made a part hereof for all

intents and purposes. "National" hereby warrants and represents to "INPR" the following:

A. "National" is the lawful owner of good and marketable title to the locomotives and has all right, power and authority to grant and assign to "INPR" the title to said locomotives.

B. All locomotives are subject to the Lease Agreement which has been registered with the Interstate Commerce Commission on February 14, 1994, under Recordation No. 18696, and "National" will file any and all documents necessary to comply with the Interstate Commerce Commission regulations regarding the transfer of locomotives and the release of its interests under Recordation No. 18696.

C. All locomotives herein transferred are free and clear from all security interest and encumbrances, and no financing statements covering the locomotives are on file in any public office, except as stated hereinabove.

D. If not already completed, the locomotives will be returned to running condition as said term is defined hereafter in Paragraph 5.

E. All locomotives are in compliance with Federal Railroad Administration requirements except insofar as work is required hereunder as stated in Paragraph 5. After completion of said work, the locomotives will comply with Federal Railroad Administration requirements.

"National" will warrant and forever defend title to the locomotives against the claims of all persons whomsoever claiming or to claim the same or any part thereof, and "National" will execute a Bill of Sale for each locomotive in accordance with the form of Bill of Sale attached hereto and marked Exhibit "C".

3. Transfer of Additional Equipment. In addition to the locomotives transferred hereinabove, "National" will obtain for "INPR" and deliver prior to November 30, 1994, at FOB Dixmoor, Illinois or Silvis, Illinois the following equipment:

A. One (1) Blomberg truck, complete with 2" or better wheels and complete in every respect, except lacking traction motor.

B. One (1) Alco truck, complete with 2" or better wheels and complete in every respect, except lacking traction motor.

"National will execute a Bill of Sale from "National" to "INPR" transferring and conveying the above equipment. Said Bill of Sale to be in accordance with the Bill of Sale attached hereto and marked Exhibit "D".

4. Payment of Purchase Price. On or before September 30, 1994, "INPR" will pay to "National" the sum of One Million Four Hundred Twenty Thousand and no/100 Dollars (\$1,420,000.00), either by check drawn on the account of "INPR" representing immediately available funds or by wire transfer.

5. Repair of Equipment and Completion of Work Scope. The parties recognize that at the time of the execution of this Agreement, the locomotives herein transferred are not all, and each and every one of them, in running condition as hereafter defined. "National" agrees to correct and modify any and all deficiencies and to bring all locomotives to running condition at the time of delivery. "National" will provide employees, namely Barney Briley and Gary Lied, as mechanic and electrician (or a suitable substitute employee) to complete whatever work yet remaining to return all locomotive to running condition. "National" agrees, at its own cost and expense, to maintain the said employees on the premises of "INPR" until such time that all work has been completed to bring all locomotives into running condition.

"Running condition" is defined as locomotives which have been checked and tested on a standard load box for horsepower output, temperature settings, operational shutters and electrical settings, all to the end that said items are operational within industry operating standards for that type of locomotive.

Anything to the contrary herein notwithstanding, the locomotives will not be considered to be in running condition until such time as Gil Gillette and Lawrence Beal have agreed in writing that they are in running condition.

6. Release. The parties to this agreement hereby mutually release, discharge and acquit each other, their successors, personal representatives, assigns, officers, directors, shareholders, and legal representatives from any and all claims, demands, damages, actions, causes of action or suits, in equity or whatsoever kind, nature or description, past, present or future, including, but not limited to, any claims for obligations due under said Lease Agreement dated November 5, 1993, hereto or hereafter arising or accruing, whether now known or unknown, for or because of any matter or thing done or omitted or suffered to be done or omitted, prior to and including the date herein save and except any and all claims, rights, demands, obligations, omissions, actions, causes of actions or suits, in equity or whatsoever kind, nature or description, arising or accruing, whether known or unknown from the parties execution of this Agreement or the documents necessary to conclude the transaction mentioned hereinabove.

7. Governing Laws. This agreement shall be governed by and construed in accordance with the laws of the State of Texas and any dispute regarding said contract shall be determined in the District Court of Tarrant County, Texas where said agreement is entered and performable.

8. Attorney's Fees, Costs and Expenses. All attorney's fees, costs and expenses incurred shall be the responsibility of the party incurring same. However, if litigation is brought under this Agreement, the nonprevailing party shall pay the successful party, in addition to any other damages, reasonable attorney's fees and other court costs.

9. Entire Agreement. This Agreement contains the entire agreement and no oral or written statements not specifically incorporated shall be of any force and effect. No variation, modification or changes hereof shall be binding on either party hereto unless set forth in a document executed by such parties or duly authorized agent, officer or representative thereof.

10. Prior Agreements Superseded. This agreement supersedes any prior understandings or oral agreements between the parties respecting the within subject matter.

11. Parties Bound. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns where permitted by this Agreement.

12. Legal Construction. If any one or more of the provisions contained in this Agreement for any reason are held to be invalid,

illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

13. Gender. Where the context shall so require, all words herein in the male gender shall be deemed to include the female or neuter gender, all singular words shall include the plural, and all plural words shall include the singular.

14. Execution of Other Documents. "National" and "INPR" agree to execute and/or deliver such other instruments, documents, Bill of Sales, regulatory documents, or other documents as either party, or their respective counsel, may reasonably require in order to effect the intents and purposes of this Agreement and to conclude this transaction.

15. Authority. All parties, by their signatures hereto, represent that the execution of this agreement has been duly authorized and that each corporation is licensed to do business within their respective states and is currently in good standing.

16. Multiple counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement, but all of which together shall constitute one and the same instrument.

Executed this the 26th day of September, 1994.

Idaho Northern & Pacific Railroad Company

By: G. A. Gillette
G. A. Gillette, President

National Railway Equipment Company

By: Lawrence J. Beal, President

Exhibit "A"

DESCRIPTION OF LOCOMOTIVES

<u>Model</u>	<u>Previous Road Name</u>	<u>Present Road Name</u>	<u>Manufacturer's Serial #</u>
GP 40	CSX 6663	4500	7929-7
GP 40	CSX 6668	4501	7929-12
GP 40	CSX 6700	4502	7944-1
GP 40	CSX 6727	4503	7183-7
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GP 40	CSX 6808	4506	7075-2
GP 35	NS 2656	4507	7774-12
GP 35	NS 2657	4508	7774-13
GP 35	NS 2672	4509	7774-26
GP 35	NS 2675	4510	7774-29

Exhibit "C"

BILL OF SALE

THIS BILL OF SALE ("Bill of Sale") is made on September ____, 1994 by NATIONAL RAILWAY EQUIPMENT COMPANY ("Seller"), in favor of IDAHO NORTHERN & PACIFIC RAILROAD COMPANY ("Purchaser").

RECITALS

A. Seller and Purchaser have entered into an Agreement dated September ____, 1994 (the "Agreement"), pursuant to which Purchaser shall purchase from Seller and Seller shall sell to Purchaser the following locomotive hereinafter referred to as ("Purchased Equipment"):

<u>Model</u>	<u>Previous Road Name</u>	<u>Present Road Name</u>	<u>Manufacturer's Serial #</u>
GP 40	CSX 6663	4500	7929-7

B. For Ten Dollars (\$10.00) and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged by Seller, Seller and Purchaser desire to give this Bill of Sale for the purpose of effecting such purchase and sale pursuant to the provisions of the Agreement.

Seller AGREES AS FOLLOWS:

1. Sale of Seller's Interest in the Purchased Equipment. Seller does hereby sell, convey, assign and transfer to Purchaser the Purchased Equipment. Seller warrants that the Purchased Equipment is fit for the purposes for which Purchaser intends to use the equipment. Seller covenants and agrees that it will at any time execute, acknowledge, and deliver any and all other acts, deeds, assignments, transfers, conveyances, powers of attorney or other instruments that Purchaser deems necessary or proper to carry out the conveyances intended to be made hereunder.

2. Warranty of Ownership. Seller does hereby covenant and warrant that it is the lawful owner of the Purchased Equipment, has good and marketable title to the Purchased Equipment, and that the Purchased Equipment is free from all liens, claims, encumbrances, security interests or rights of third parties of any kind, excepting and subject to any liens for personal property taxes not yet due and payable. By delivery of this Bill of Sale, Seller covenants and agrees to with Purchaser, its successors and assigns, to warrant and defend title to the Purchased Equipment against all and every person(s) whomever.

3. Warranty as to Condition. With regard to the "Purchased Equipment", Seller hereby warrants, guarantees, and represents that:

- a. All locomotives herein transferred are free and clear from all security interest and encumbrances, and no financing statement covering the locomotives is on file in any public office.
- b. The locomotives have been or will be "qualified" in accordance with the work scope attached hereto as Exhibit "A" and made a part hereof for all intents and purposes.
- c. Any and all defects to the qualifications of said locomotives have been or will be remedied by "National" in accordance with the terms of this Agreement.

4. No Rights in Third Party. Nothing expressed or implied in this Bill of Sale is intended to confer upon any person, other than the parties hereto and their respective successors and assigns, any rights, remedies, obligations or liabilities under of by reason of this Bill of Sale and Assignment.

5. Successor and Assigns. This Bill of Sale is executed pursuant to the Agreement and is entitled to the benefits thereof and shall be binding upon and inure to the benefits of Seller and Purchaser and their respective successors and assigns.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed by its officer thereunto duly authorized on the day and year first above written.

NATIONAL RAILWAY EQUIPMENT COMPANY

By: Lawrence J. Beal
 Lawrence J. Beal, President
 Date: September 27, 1994

STATE OF Illinois
 COUNTY OF Will

ON this the 27th day of September, 1994, before me personally appeared Lawrence J. Beal, to me personally known, who, being by me sworn, says that he is President of National Railway Equipment Company, and that the foregoing Bill of Sale was signed on behalf of said corporation by authority of its Board of Directors. Further he acknowledged that the execution of the foregoing Bill of Sale was the free act and deed of said corporation.

Debra L. Radtke
 Notary Public, in and for the
 State of Illinois

My commission expires:
April 18, 1997

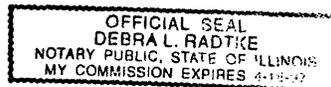


Exhibit "D"

BILL OF SALE

THIS BILL OF SALE ("Bill of Sale") is made on September ____, 1994 by NATIONAL RAILWAY EQUIPMENT COMPANY ("Seller"), in favor of IDAHO NORTHERN & PACIFIC RAILROAD COMPANY ("Purchaser").

RECITALS

A. Seller and Purchaser have entered into an Agreement dated September ____, 1994 (the "Agreement"), pursuant to which Purchaser shall purchase from Seller and Seller shall sell to Purchaser the following locomotives hereinafter referred to as ("Purchased Equipment"):

1. One (1) Blomberg truck, complete with 2" or better wheels and complete in every respect, except lacking traction motor;
2. One (1) Alco truck, complete with 2" or better wheels and complete in every respect, except lacking traction motor.

B. For Ten Dollars (\$10.00) and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged by Seller, Seller and Purchaser desire to give this Bill of Sale for the purpose of effecting such purchase and sale pursuant to the provisions of the Agreement.

Seller AGREES AS FOLLOWS:

1. Sale and Transfer of Purchased Equipment. Seller does hereby sell, convey, assign and transfer to Purchaser the Purchased Equipment. Seller warrants that the Purchased Equipment is fit for the purposes for which Purchaser intends to use the equipment. Seller covenants and agrees that it will at any time execute, acknowledge, and deliver any and all other acts, deeds, assignments, transfers, conveyances, powers of attorney or other instruments that Purchaser deems necessary or proper to carry out the conveyances intended to be made hereunder.

2. Warranty of Ownership. Seller does hereby covenant and warrant that it is the lawful owner of the Purchased Equipment, has good and marketable title to the Purchased Equipment, and that the Purchased Equipment is free from all liens, claims, encumbrances, security interests or rights of third parties of any kind, excepting and subject to any liens for personal property taxes not yet due and payable. By delivery of this Bill of Sale, Seller covenants and agrees to with Purchaser, its successors and assigns, to warrant and defend title to the Purchased Equipment against all and every person(s) whomever.

3. Warranty as to Condition. With regard to the "Purchased Equipment", Seller hereby warrants, guarantees, and represents that:

- a. All equipment herein transferred is free and clear from all security interest and encumbrances, and no financing statement covering the equipment is on file in any public office.
- b. All equipment is in compliance with Federal Railroad Administration requirements and all other applicable state, federal, or local laws, rules and regulations.

4. No Rights in Third Party. Nothing expressed or implied in this Bill of Sale is intended to confer upon any person, other than the parties hereto and their respective successors and assigns, any rights, remedies, obligations or liabilities under of by reason of this Bill of Sale and Assignment.

5. Successor and Assigns. This Bill of Sale is executed pursuant to the Agreement and is entitled to the benefits thereof and shall be binding upon and inure to the benefits of Seller and Purchaser and their respective successors and assigns.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed by its officer thereunto duly authorized on the day and year first above written.

NATIONAL RAILWAY EQUIPMENT COMPANY

By: Lawrence J. Beal
Lawrence J. Beal, President

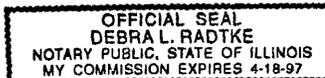
Date: September 27, 1994

STATE OF Illinois
COUNTY OF Will

ON this the 27th day of September, 1994, before me personally appeared Lawrence J. Beal, to me personally known, who, being by me sworn, says that he is President of National Railway Equipment Company, and that the foregoing Bill of Sale was signed on behalf of said corporation by authority of its Board of Directors. Further he acknowledged that the execution of the foregoing Bill of Sale was the free act and deed of said corporation.

Debra L. Radtke
Notary Public, in and for the
State of Illinois

My commission expires:
April 18, 1997



AFFIDAVIT

RECORDATION NO. _____ FILED 1425

OCT 4 1994 - 8 15 PM

STATE OF TEXAS

COUNTY OF TARRANT

INTERSTATE COMMERCE COMMISSION

BEFORE ME, the undersigned authority, personally appeared WILLIAM M. WARREN, who, being first duly sworn, deposed and stated as follows:

"My name is WILLIAM M. WARREN and I am over the age of 18 years, and I am a resident of Tarrant County, Texas. I am competent to make this Affidavit and I have personal knowledge of all statements of fact contained herein.

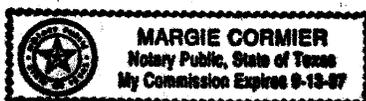
"I am the General Counsel for Idaho Northern & Pacific Railroad Company, a Delaware corporation. I have received and have in my possession an Agreement to Cancel Lease and Agreement to Purchase Equipment executed in multiple originals by and between National Railway Equipment Company and Idaho Northern & Pacific Railroad, dated the 26th day of September, 1994, a true and correct copy of which is attached to this Affidavit as Exhibit "A" and made a part hereof for all intents and purposes. I have examined the attached Exhibit "A", and said exhibit and all attachments thereto and the copies are true and correct copies of the original signed Agreement to Cancel Lease and Agreement to Purchase Equipment dated the 29th day of September.

"Further, Affiant sayeth naught."

SIGNED this the 29th day of September, 1994.

William M. Warren
WILLIAM M. WARREN

SUBSCRIBED AND SWORN TO BEFORE ME by WILLIAM M. WARREN on September 29, 1994, to certify which witness my hand and seal of office.



Margie Cormier
NOTARY PUBLIC in and for
The State of Texas