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INTERSTATE COMMERCE COMMISSION

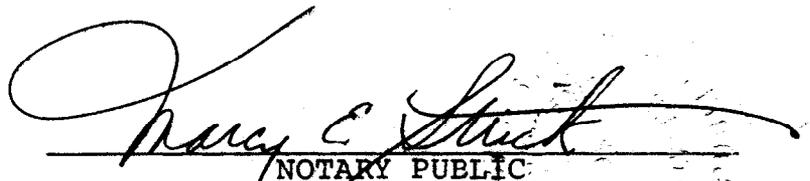
STATE OF PENNSYLVANIA:

SS

COUNTY OF PHILADELPHIA:

On this *18th* day of May, 1976, before me personally

appeared ERIC D. GERST, to me personally known, who being by me duly sworn, says that he is the Secretary and General Counsel of Hillsdale County Railway Company, Inc., 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; and that the aforesaid officer has compared the copy with the original document and that it is a true and correct copy in all respects.



NOTARY PUBLIC

MARCY E. STRICK

Notary Public, Philadelphia, Philadelphia Pa.

My Commission Expires November 26, 1979

My Commission Expires: _____

NAPORANO IRON & METAL COMPANY
STANDARD LOCOMOTIVE LEASE

AGREEMENT made March 17, 1976, between NAPORANO IRON & METAL COMPANY, a corporation organized and existing under the laws of the State of New Jersey, having its office at Foot of Hawkins Street, City of Newark, County of Essex, State of New Jersey, Lessor, herein referred to as "NAPORANO", and HILLSDALE COUNTY RAILWAY COMPANY, INC., a corporation organized and existing under the laws of the State of Michigan, having its temporary office in care of Allen Dimmers, Esq. 25 Budlong Street, City of Hillsdale, State of Michigan, Lessee, herein referred to as "HILLSDALE".

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I.
DESCRIPTION OF PROPERTY

NAPORANO hereby leases to HILLSDALE locomotive(s) of the types, in the quantities and with serial numbers as specified in Exhibit A attached hereto. NAPORANO hereby warrants that it is the owner of the locomotive(s) listed in Exhibit A.

II.
LEASE PAYMENTS, PLACE OF PAYMENTS AND CANCELLATION

HILLSDALE shall pay to NAPORANO a rental for the use of each locomotive of One Hundred Twenty-five and no hundredths Dollars (\$125.00) per day for the term of the lease. Rental shall be due on the first day of each month immediately following the month for which the rent accrues.

Rental shall be paid promptly by HILLSDALE. Rental shall be computed starting with the date of acceptance of the locomotive(s) for delivery and ending on the day specified in Paragraph III of this lease. Holding over the lease term without prior written permission of NAPORANO shall result in a rental charge of double the preceding daily rental rate. Lease payments shall be made at the office of NAPORANO IRON & METAL COMPANY, Foot of Hawkins Street, Newark, New Jersey 07105. Invoicing by NAPORANO shall not be required. Time is of the essence on all lease payments and the non-payment by HILLSDALE for a period of seven (7) days of any sum required hereunder to be paid by HILLSDALE shall constitute a breach of this agreement.

HILLSDALE shall have the option of canceling the lease on its first, second, third or fourth anniversary dates provided, however, that notice to cancel is given in writing to NAPORANO at least ⁹⁰ ~~120~~ days before the anniversary date on which cancellation is to be effective. In the event the lease is canceled at the end of the first year there shall be a penalty payment of Thirteen Thousand and no hundredths Dollars (\$13,000.00) payable to NAPORANO as liquidated damages and a payment of ^{TEN} ~~Twenty-five~~ Thousand and no hundredths Dollars (^{10,000} ~~\$25,000.00~~) payable to NAPORANO as liquidated damages for consideration of the consumption of the warranty period of each locomotive utilized by HILLSDALE.

If the lease is canceled on the second, third or fourth anniversary date, no warranty penalty shall be required. However, liquidated damages shall be due as follows: At the end of the second year a liquidated damages payment of Ten Thousand and no hundredths Dollars (\$10,000.00); the third year, Five Thousand Five Hundred and no hundredths Dollars (\$5,500.00); the fourth year, Two Thousand and no hundredths Dollars (\$2,000.00). Tabular representation of the total amount of liquidated damages are depicted in Table I.

TABLE I

| Lease anniversary year on cancellation | Warranty cancellation Damages | Liquidated Damages | Total due on cancellation |
|--|--|--------------------|---|
| 1 | 10,000.00 \$25,000.00 <i>pfw</i> | \$13,000.00 | 23,000.00 \$38,000.00 <i>ph</i> |
| 2 | \$0.00 | \$10,000.00 | \$10,000.00 |
| 3 | \$0.00 | \$ 5,500.00 | \$ 5,500.00 |
| 4 | \$0.00 | \$ 2,000.00 | \$ 2,000.00 |

Said liquidated damages are due on the effective date of cancellation of the lease. Late payments shall accrue interest at the rate of 1 per cent per month on the total unpaid balance.

III.
DELIVERY AND ACCEPTANCE

This lease shall commence on the execution date hereof or inspection and acceptance of the locomotive(s), whichever date occurs last, but not later than April 1, 1976, and will run for a period of five years thereafter, which term shall include the commencement date and the date of the units redelivery by HILLSDALE to NAPORANO. The locomotive(s) will be inspected jointly by representatives of the parties hereto at Paducah, Kentucky and if satisfactory to HILLSDALE'S representatives, possession thereof will then be delivered by NAPORANO to HILLSDALE at said Paducah, Kentucky.

IV.
DEPOSIT OF SECURITY

NAPORANO acknowledges that HILLSDALE has deposited with NAPORANO as security the sum of Seven Thousand Seven Hundred/^{Fifty} Dollars (\$ 7,750.00), and the parties agree that said deposit shall be security for performance of HILLSDALE'S obligations hereunder. Said sum

may, at NAPORANO'S option, be applied to satisfy any such obligation which may be in default without excusing HILLSDALE from performance of any such obligation. Any portion of said sum which has not been so applied by NAPORANO will be returned to HILLSDALE at the termination of this lease.

NAPORANO may require proof of payment of all local, state, federal, or foreign taxes, license fees, assessment charges, fines, etc., before release of the security deposit.

V.
TERM

The lease shall be for a term of five years from the date of this lease as specified in Paragraph III subject, however, to the right of HILLSDALE to cancel the lease on the first, second, third or fourth anniversary dates of the lease in accordance with Paragraph II. Cancellation of the lease must be given in writing to NAPORANO at least ⁹⁰~~120~~ days prior to the particular lease anniversary date upon which cancellation is to take effect.

VI.
OPTION TO RENEW LEASE

NAPORANO hereby grants to HILLSDALE the option to renew the lease herein for a period of three (3) years, provided that HILLSDALE gives notice to NAPORANO, in writing, of its intention to exercise the option at least 90 days prior to the expiration of this lease. The rental rate for said renewal term shall be One Hundred Fifteen and no hundredths Dollars (\$115.00) per day payable in the same monthly installments as previously provided.

VII.
REPAIRS AND MAINTENANCE

NAPORANO agrees that each locomotive when delivered to HILLSDALE at Paducah, Kentucky shall be clean and in good order and proper repair, ordinary wear and tear excepted. HILLSDALE agrees that each locomotive when redelivered to NAPORANO at Newark, New Jersey, or other place of its choice, shall be in like condition as when received, ordinary wear and tear excepted.

HILLSDALE further agrees that while the locomotive(s) is in its possession it will, at its own expense, maintain and keep such locomotive(s) in good order and proper repair in accordance with the provision of Schedule B attached hereto, ordinary wear and tear excepted.

HILLSDALE further agrees to keep and maintain and to make available to NAPORANO such records of HILLSDALE'S use, operation, inspection, repairs and maintenance of each locomotive while in its possession as shall be reasonably required by NAPORANO. NAPORANO, by such agents as it may designate, shall have the right, at all reasonable times, to go on the property of HILLSDALE or the property of anyone else where the locomotive(s) may be located to inspect the locomotive(s) and records while said locomotive(s) is in the possession of HILLSDALE

HILLSDALE shall during the continuance of this lease, promptly and with due diligence, keep and maintain the locomotive(s) in normal working order and repair, and shall comply in all respects with all existing laws and any laws hereinafter authorized [including, without limitation, laws with respect to the use, maintenance and operation of the locomotive(s)] of the jurisdiction in which operations involving the locomotive(s) may extend, with the interchange rules of the Association of American Railroads, with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the locomotive(s) to the extent that such laws and rules affect the title, operation or use of the locomotive(s). NAPORANO represents that said locomotive(s) comply with all of the aforementioned laws, rules and regulations on the date of acceptance of said locomotive(s) or NAPORANO will, at its expense and direction, bring said locomotive(s) into compliance therewith. In the event that after date of acceptance / such laws or rules require any alteration, replacement or addition of or to any locomotive, HILLSDALE will conform therewith at its own expense.

NAPORANO represents and warrants that the locomotive(s) provided hereunder has been remanufactured by Illinois Central Gulf Railroad. NAPORANO represents and warrants that the work performed by it and Illinois Central Gulf was done in a workmanlike manner and complies,

on the date of acceptance, with any laws, codes and regulations then applicable to the equipment, including but not limited to, any published by the U. S. Department of Transportation, Federal Railroad Administration, Interstate Commerce Commission, or the Association of American Railroads. NAPORANO warrants that all materials used are of suitable grade for the purpose intended. The warranty shall extend for a period of one (1) year from the date of acceptance of the unit involved. HILLSDALE shall prepay all transportation costs for warranty work. HILLSDALE agrees that the rental provided in Paragraph II shall continue during the time when warranty work is being performed.

NAPORANO'S obligations under its warranties shall be to correct all such defects in workmanship or material, which examination shall disclose to NAPORANO'S satisfaction to be defective, by repair or replacement and such correction shall constitute fulfillment of NAPORANO'S obligation with respect to such defect under its warranties or otherwise and it is agreed by owner that NAPORANO shall not be responsible for any consequential damage resulting from such defect. There are no warranties expressed or implied, including, but not limited to, warranty or merchantability or fitness for a particular purpose made by NAPORANO except the warranties set out above, and NAPORANO neither assumes nor authorizes any person to assume for it, any other or different liability in connection with the work or the material used, and there are no oral agreements or warranties collateral to or affecting this agreement. NAPORANO shall not be liable to HILLSDALE for any indirect, special or consequential damages resulting from any defects in material or workmanship or for any other reason whatsoever; provided, however, that this clause is not intended to preclude any rights or rights to litigation which HILLSDALE may have or pursue against NAPORANO for breach of this lease. Said warranty shall commence on the date the locomotive(s) leaves Paducah, Kentucky and shall expire one year from that date.

VIII.
RENT ABATEMENT

If one or more of the locomotives is down as a result of a defect in materials or workmanship covered under the warranties granted in this lease, during and only during the warranty period, it shall be incumbent upon HILLSDALE to notify NAPORANO of such failure and NAPORANO shall direct the manner in which repair shall be made; however, if more than 45 days elapse during which the unit remains out of service due to said defect, the rental rate for said locomotive(s) shall abate until repair is made and the locomotive(s) is again serviceable.

If a defect arises after the warranty period has expired, said repair of said defect shall be the sole responsibility of HILLSDALE.

IX.
TAXES, INSURANCE AND EXPENSES

It is the intention of the parties that this is a net lease and that HILLSDALE shall pay directly all costs incurred including local, state, federal or foreign taxes, license fees, assessment charges,

finances, penalties accrued, assessed or levied against said locomotive(s) and insurance, operating and maintenance expenses, repairs and any other costs whatsoever associated with the operation of the locomotive(s) while in the possession of said HILLSDALE or during the term of this lease. HILLSDALE agrees to pay all of said charges whether foreseeable or not and to keep said locomotive(s) free and clear from all claims and for any and all charges which might be assessed against HILLSDALE or as a result of HILLSDALE'S use of the locomotive(s) which in any way affects the title or results in a lien upon any such locomotive(s).

X.
REDELIVERY AND ACCEPTANCE

On the termination of this lease respecting the said locomotive(s), HILLSDALE will, at its expense, return the locomotive(s) on which this lease has been terminated to NAPORANO at Newark, New Jersey, or any other location selected by NAPORANO with freight to said other location to be borne by HILLSDALE up to the amount of freight HILLS-DALE would have paid to Newark, New Jersey, and, on such return, the locomotive(s) so returned shall be inspected jointly by representatives of the parties hereto. A record of the final inspection shall be made and shall be jointly signed by the representatives of the parties, which record shall indicate the condition of the locomotive(s) upon redelivery.

TAM *120* *90*
120 days prior to redelivery and/or upon notice of cancellation of the lease, NAPORANO, its agents, representatives, prospective purchaser or lessees, may inspect the locomotive(s) as many times as they deem necessary in such a manner so as not to interfere with HILLSDALE'S railroad operation.

HILLSDALE hereby grants NAPORANO at no charge to NAPORANO the right to store the locomotive(s) on HILLSDALE'S tracks or HILLSDALE'S at a place selected by Hillsdale leased tracks/for 60 days after the expiration or cancellation of the lease.

XI.
LIABILITY AND INDEMNIFICATION

NAPORANO shall not be liable under any circumstances for any loss or delay or for any damage of any kind to the locomotive(s). NAPORANO shall not be liable to HILLSDALE because of any damage or injury caused directly or indirectly by the locomotive(s) or resulting in any way from the use thereof. HILLSDALE shall fully indemnify NAPORANO against all claims, demands, or causes of action asserted against NAPORANO by any other person, firm, or corporation on account of damages or injury caused by the locomotive(s) or resulting in any way from use thereof. HILLSDALE shall defend/, at HILLSDALE'S expense, any litigation arising from the operation of the locomotive(s).

XII.
EVENTS CONSTITUTING DEFAULT

The following events constitute defaults:

- A. The nonpayment by HILLSDALE on the date due of any sum required hereunder to be paid by HILLSDALE.
- B. The nonperformance by HILLSDALE of any other term, covenant, or condition of this lease not enumerated in Paragraphs A through I hereunder.
- C. Any affirmative act of insolvency by HILLSDALE, or the filing by HILLSDALE of any petition under any bankruptcy, reorganization, insolvency, or any law for the relief of, or relating to, debtors.
- D. The filing of any involuntary petition under any bankruptcy statute against HILLSDALE, and the appointment of any receiver or trustee to take possession of the property of HILLSDALE.
- E. The subjection of any of HILLSDALE'S property to any levy, seizure, assignment, application, or sale for or by any creditor or governmental agency.
- F. Abusing, overloading, mishandling, or failing to properly maintain or operate the locomotive(s).
- G. Failure to abide by the written warranties, guarantees and instructions provided by the manufacturers or remanufacturers of the locomotive(s).

H. Failure to maintain insurance in accordance with Paragraph XII.

I. Any unauthorized assignment or transfer of this lease or of possession of the locomotive(s) or any of them.

XIII.
NAPORANO'S RIGHTS UPON DEFAULT

On the occurrence of any of the events defined in Paragraph X as constituting defaults, NAPORANO may without notice to or demand on HILLSDALE :

(a) Take possession of the locomotive(s) and lease the same or any portion thereof, for such period and such rental, and to such persons, as NAPORANO shall elect, and apply the proceeds of any such renting, after deducting all costs and expenses incurred in connection with the recovery, repair, storage, and renting of the locomotive(s), in payment of the rent and other obligations due from HILLSDALE to NAPORANO hereunder, HILLSDALE remaining responsible for any deficiency and any such deficiency shall bear interest at the rate of 1 per cent per month from the date due until paid. NAPORANO agrees to use its best efforts to relet said locomotive(s);

(b) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by HILLSDALE of the applicable covenants of this lease or to recover damages for the breach thereof, including net after tax losses of federal and state income tax benefits to which NAPORANO would otherwise be entitled under this lease;

(c) In the event HILLSDALE does not pay any sums due to any third parties under Paragraph VII herein, NAPORANO may pay the same and invoice HILLSDALE with interest at the rate of 1 per cent per month from the date paid by NAPORANO until the same is repaid by HILLS-DALE ;

(d) Exercise any other rights granted NAPORANO under this lease.

XIV.
INSURANCE

HILLSDALE will maintain, at its sole cost and expense, at all times during the lease term of any locomotive(s), and until all

locomotives have been returned to NAPORANO in accordance with the provisions of this lease, with reputable insurers acceptable to NAPORANO:

A. Insurance in an amount not less than the value specified in Paragraph ~~XIV~~^{XV} on each locomotive(s) arising out of all risks of physical loss or damage from any cause whatsoever and against such other risks as are customarily insured against by companies owning property of a similar character and engaged in a business similar to that engaged in by HILLSDALE, and

B. Comprehensive public liability and property damage insurance insuring against liability resulting from ownership, maintenance, use or operation of the locomotive(s) in an amount of ~~\$5,000,000~~^{\$2,000,000} per occurrence insuring against liability for death and bodily injury and \$500,000 property damage. All insurance policies shall (i) name NAPORANO as an additional insured with losses under the loss and/or damage policies to be payable to NAPORANO and HILLSDALE as its respective interests may appear; (ii) provide that the policies will not be invalidated as against NAPORANO or any of its successors because of any violation of a condition or warranty of the policy or application therefor by HILLSDALE, and (iii) provide that the policies may only be materially altered or canceled by the insured after thirty (30) days' prior written notice to NAPORANO or its successors.

HILLSDALE shall deliver to NAPORANO prior to the execution of this Agreement a policy/^{or other acceptable evidence}of such insurance for NAPORANO'S approval.

XV.
DESTRUCTION OF PROPERTY

In case the locomotive(s), while it is in the possession of HILLSDALE, should be lost, destroyed or damaged beyond repair, rental with respect to such locomotive(s) unit shall cease immediately, but in such case HILLSDALE agrees to immediately pay to NAPORANO cash in the amount of \$250,000 for the value of each locomotive(s) so destroyed or damaged. HILLSDALE shall deliver to NAPORANO prior to the execution of this agreement a policy/^{or other acceptable evidence}of Insurance for NAPORANO'S approval complying with this paragraph and naming NAPORANO as loss payee.

XVI.
RENTAL PAYMENTS DURING DISPUTES

Any dispute between NAPORANO and HILLSDALE as to any of NAPORANO' obligations, including condition or warranty of the equipment, under this lease of any nature whatsoever shall not excuse the payment of rent or other performance by HILLSDALE pending resolution of any dispute whether by arbitration, court action or otherwise. It shall be an absolute condition precedent to the maintenance or defending of any action either in arbitration or court action that such rental payments are continued during the pending of such action. Said payments shall be binding upon any trustee, receiver or successor in interest of any nature whatsoever of HILLSDALE. Failure to continue such payments shall entitle NAPORANO to a dismissal of any action or defense of any such action with prejudice maintained by HILLSDALE at any time such default occurs.

XVII.
LEASE GOVERNED BY NEW JERSEY LAW
VENUE IN NEW JERSEY

This lease shall be governed by the laws of the State of New Jersey; the contract is stipulated by the parties to have been made in the State of New Jersey and venue for any proceeding, either by arbitration or court action, is also stipulated by the parties to be in the State of New Jersey.

XVIII.
NOTICE

Any notices required to be given under this lease shall be given in the following manner: A notice from NAPORANO to HILLSDALE shall be sent by certified mail, return receipt requested, or Western Union Telegram addressed to HILLSDALE in care of Allen Dimmers, Esq., 25

Budlong Street, Hillsdale, Michigan 49242

and a notice from HILLSDALE to NAPORANO shall be sent by certified mail, return receipt requested, or Western Union Telegram, to NAPORANO, Foot of Hawkins Street, Newark, New Jersey 07105.

XIX.
LEASE APPLICABLE TO SUCCESSORS AND ASSIGNS

NAPORANO and HILLSDALE agree that the rights and obligations under this lease shall inure to and be binding on its respective successor and assigns, subject, however, to the provisions of Paragraph XXVI herein.

XX.
RECORDING

HILLSDALE, at its own expense, will cause this Lease, any amendments or supplements hereto and any assignments hereof to be filed and recorded in accordance with Section 20c of the Interstate Commerce Act, and HILLSDALE will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will refile, re-register, re-deposit or re-record whenever required) any and all further instruments required by law or reasonably requested by NAPORANO for the purpose of proper protection, to its satisfaction, of NAPORANO'S interest in the locomotive(s), or for the purpose of carrying out the intention of and its rights under this Lease; and HILLSDALE will promptly furnish to NAPORANO evidences of all such filing, registering, depositing and recording. This Lease shall be filed and recorded with the Interstate Commerce Commission within a reasonable time of the delivery and acceptance hereunder of any locomotive(s).

XXI.
ALTERATIONS

HILLSDALE agrees that it will make no alterations in the equipment without obtaining prior written permission from NAPORANO. All additions to and improvements of the equipment of any kind shall immediately become the property of NAPORANO and subject to the terms of this lease.

XXII.
IDENTIFICATION OF EQUIPMENT

If at any time NAPORANO supplies HILLSDALE with labels, plates, or other markings stating that the property is owned by NAPORANO, HILLSDALE shall affix and keep the same in a reasonable place to put any

interested parties on notice of the true ownership of the locomotive(s). HILLSDALE shall not alter, disfigure, or cover up any marks of identification displayed on the equipment.

XXIII.
LIMITATIONS ON USE

HILLSDALE hereby leases said Locomotive(s) for use on railroad tracks of HILLSDALE located in the State(s) of Indiana and Michigan. Said locomotive(s) shall not be used on any other tracks in any other States or by any other operator without the prior written consent of NAPORANO.

XXIV.
SUBORDINATION

It is agreed that this lease is subject to and subordinate to the lien of any chattel mortgages, U.C.C. Financing Statements or mortgages now on, or which at any time may be made a lien upon the locomotive(s), and to all advances made or hereafter to be made upon the security thereof. HILLSDALE agrees to execute and deliver upon request, such further instrument or instruments subordinating this lease to the lien of any such chattel mortgages, U.C.C. Financing Statements or mortgages as shall be desired by any mortgagee or proposed mortgagee. HILLSDALE hereby appoints NAPORANO its attorney-in-fact irrevocably to execute, acknowledge and deliver any such instrument or instruments for HILLSDALE as NAPORANO may deem necessary.

XXV.
GOVERNMENT REGULATIONS

HILLSDALE shall comply with all governmental laws, regulations, and requirements, and with all rules of the Association of American Railroads, or any successor thereto, with respect to use, maintenance and operation of the locomotive(s) unit while in the possession of HILLSDALE. Said rules and regulations shall include, but are not limited to, all rules and regulations of the Association of American Railroads for moving locomotives under their own power in interchange movement.

XXVI.
ASSIGNMENT

Without the prior written consent of NAPORANO, which will not be unreasonably withheld, HILLSDALE shall not (a) assign, transfer, pledge or hypothecate this lease, the property or any part thereof, or any interest therein; (b) sublet or lend the property or any part thereof; or (c) permit the property or any part thereof to be used by anyone other than HILLSDALE or HILLSDALE'S employees. NAPORANO may assign its interest, or a part thereof, in this lease. NAPORANO may require an escalation of the rental rates as a condition of assignment or sublease to an amount equal to the market rental value of the locomotive(s) or the existing rental rate, whichever is greater.

XXVII.
CONTINGENCY

In the event that HILLSDALE is unable to enter into appropriate agreements concerning the operation of a railroad with the State of Michigan (including provision in said agreements providing for the guaranteeing of the payment of all sums due under this lease, whether rental payments, liquidated damages, warranty damages, or other charges), by April 1, 1976, or any reasonable extension thereof agreed to by NAPORANO, this lease is automatically terminated and NAPORANO shall return HILLSDALE'S security deposit; provided, however, that if HILLSDALE requires the locomotive(s) to be shipped from Paducah, Kentucky, to Hillsdale, Michigan, prior to the April 1, 1976, date or reasonable extension thereof, HILLSDALE agrees to pay and hereby authorizes NAPORANO to deduct from the security deposit the reasonable transportation costs incurred by NAPORANO in returning the locomotive(s) from Hillsdale, Michigan, to Paducah, Kentucky. HILLSDALE shall prepay any freight charges in shipping the locomotive(s) from Paducah, Kentucky, to Hillsdale, Michigan. HILLSDALE shall provide to NAPORANO copies of the proposed agreements with the State of Michigan prior to execution of this lease and will provide copies of the actual agreements within three (3) days of the execution thereof.

XXVIII.
SIGNATURE

IN WITNESS WHEREOF, the parties hereto have executed _____
copies of this Agreement, all of which shall be deemed to be originals,
as of the day and year first above written.

NAPORANO IRON & METAL COMPANY

By

Joseph Naporano, President by

JOSEPH NAPORANO, President
Ronald F. W.

ATTEST:

Secretary

HILLSDALE COUNTY RAILWAY COMPANY, INC.

By

John H. Marino, Pres

President
Eric D. Gertt

ATTEST:

Eric D. Gertt

Secretary

Witness:

Marguerite W. Grant

EXHIBIT A

One EMD GP7, Road No. 1600 ex N&W 3450, Serial No. 11993.

EXHIBIT B

HILLSDALE hereby agrees that it will , at its own expense, fully comply with the maintenance items on the maintenance checklist attached hereto and incorporated herein as part of Exhibit B and conduct daily, weekly, monthly, 90-day, 180-day, and 365-day inspections and will remedy, including repairing and replacing any parts or materials needed, defects found during said periodical inspections or any defects noted prior to any specific inspections. The maintenance items specified on the checklist are those items which must be performed at a minimum to comply with the terms of this lease. HILLSDALE further agrees to comply with all requirements of the warranty issued by the remanufacturer, Illinois Central Gulf, concerning said locomotive(s) and the maintenance procedures of the original manufacturer of said locomotive(s)

in writing prior to performance.

- (b) Direct material cost, plus additives approved in writing prior to performance.

3. Upon presentation by the ICG of an invoice for the completed units, accompanied by the acceptance certificate, Owner shall promptly pay the full amount shown on such invoice.

V. Title

Title to the Equipment shall be and remain vested in Owner.

ICG represents and warrants to Owner that it is the absolute owner of any material provided under this Agreement and that such material shall be free from all mortgages, liens, or other encumbrances, security interests, contractual rights (such as, for example, any debt, instrument or lease) and all rights of third parties of every kind and description.

Owner agrees that any scrap of material removed from the Equipment shall become the sole property of the ICG and no additional credit shall be required.

VI. Warranty

1. The ICG represents and warrants that all work performed by it hereunder will be done in a workmanlike manner and will upon completion comply with any laws, codes and regulations, then applicable to the Equipment, including but not limited to, any published by the U. S. Department of Transportation, Federal Railroad Administration, Interstate Commerce Commission or the Association of American Railroads.

ICG warrants that all materials incorporated shall be of suitable grade for the purpose intended. The warranties shall extend for a period of one (1) year from date of acceptance of the unit involved. ICG'S OBLIGATION UNDER ITS WARRANTIES SHALL BE TO CORRECT ALL SUCH DEFECTS IN WORKMANSHIP OR MATERIAL, WHICH EXAMINATION SHALL DISCLOSE TO ICG'S SATISFACTION TO BE DEFECTIVE, BY REPAIR OR REPLACEMENT AND SUCH CORRECTION SHALL CONSTITUTE FULFILLMENT OF ICG'S OBLIGATION WITH RESPECT TO SUCH DEFECT UNDER ITS WARRANTIES OR OTHERWISE AND IT IS AGREED BY OWNER THAT ICG SHALL NOT BE RESPONSIBLE FOR ANY CONSEQUENTIAL DAMAGE RESULTING FROM SUCH DEFECT. THERE ARE NO WARRANTIES EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTY OR MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE MADE BY ICG EXCEPT THE WARRANTIES SET OUT ABOVE, AND ICG NEITHER ASSUMES NOR AUTHORIZES ANY PERSON TO ASSUME FOR IT, ANY OTHER OR DIFFERENT LIABILITY IN CONNECTION WITH THE WORK OR THE MATERIAL USED, AND THERE ARE NO ORAL AGREEMENTS OR WARRANTIES COLLATERAL TO OR AFFECTING THIS AGREEMENT.

2. Owner shall give written notice to ICG of any defects covered by warranty within thirty days after their discovery. ICG shall, within a reasonable time after receipt of such notice from Owner, repair or replace, as appropriate, any article which is determined to be defective in material or workmanship during the period of the warranty.

VII. Taxes

Owner shall promptly pay to the ICG upon its written request, any sales or other similar taxes, excluding

ILLINOIS CENTRAL GULF RAILROAD

30-DAY INSPECTION

| MAINTENANCE ITEM | COMPLETED BY | | |
|---|--------------|---|---|
| | | | |
| MAKE DAILY INSPECTION (PER M.I. GROUP 6100) | X | X | X |
| CLEAN & SERVICE TOILET | X | X | X |
| RECORD MANOMETER READING OF PAPER AIR FILTERS IDLE _____ INS. 3TH NOTCH _____ INS. | X | X | X |
| TAKE LUBE OIL & COOLING WATER SAMPLES | X | X | X |
| MAKE WHEEL CONDITION REPORT F-0469 | X | X | X |
| CHECK PANEL BATH ENGINE AIR FILTER OIL LEVEL | X | X | |
| CHECK OIL LEVEL IN ENGINE BLOWER FILTERS (AIR MAZE) | X | | |
| CHANGE CARBODY & IMPINGEMENT TYPE BLOWER FILTERS | X | | |
| CHECK OIL LEVEL IN FAN DRIVE GEAR BOX | | X | X |
| CHECK OIL LEVEL IN TRACTION ALTERNATOR GEAR BOX | | X | X |
| LUBRICATE CYLINDER FUEL PUMP LINKAGES | | X | X |
| CHECK OIL LEVEL IN JOURNAL BOXES | X | | |
| CHECK & REPLENISH TRACTION MOTOR GEAR GREASE | X | X | X |
| CHECK GEAR CASES & GEAR CASE BOLTS | X | X | X |
| ADD TRACTION MOTOR SUPPORT BEARING OIL TO FULL LEVEL | X | X | X |
| INSPECT SUPPORT BEARING CAP BOLTS FOR TIGHTNESS & INSURE THEY ARE LOCK WIRED | X | X | X |
| CHECK OPERATION OF COLR. | X | | |

| MAINTENANCE ITEM | | | | COMPLETED BY |
|---|---|---|---|--------------|
| INSPECT TRACTION MOTOR CUT-OUT SWITCHES TO INSURE THAT ALL MOTORS ARE CUT IN | X | X | X | |
| CHECK TRACTION MOTOR BLOWER MOTORS FOR PROPER ROTATION & CLEAR INTAKE SCREENS | X | | | |
| CHECK THE FOLLOWING CIRCUITS FOR GROUNDS: A. HIGH VOLTAGE (POWER) B. LOW VOLTAGE (CONTROL) C. AC | X | X | X | |
| CHECK THAT ALL ACCESS PANELS, HATCHES & DOORS OF ELECTRICAL EQUIPMENT & CABINETS ARE IN PLACE & SECURED | X | X | X | |
| CHECK OPERATION OF WHEEL SLIP CIRCUIT. | X | X | X | |
| CHECK OPERATION OF GROUND RELAY & AUTOMATIC RESET | X | X | X | |
| CHECK THAT SPARE FUSE HOLDER & VOLTAGE REGULATOR CONTAIN PROPER SERVICEABLE FUSES | X | X | X | |
| INSPECT ALL VISIBLE INSULATION & CONNECTIONS, PLUGS, RECEPTACLES & RELATED WIRING | X | X | X | |
| CHECK SETTING & OPERATION OF OVERSPEED CIRCUIT | X | X | X | |
| CHECK ELECTRONIC SPEED INDICATOR CALIBRATION & OPERATION | X | X | X | |
| | | | | |
| CHECK & VERIFY OPERATION OF MECHANICAL SPEED RECORDER | X | X | X | |
| CHECK & REPORT CRANKSHAFT LATERAL MOVEMENT | | X | | |
| CLEAN MAIN GENERATOR (SWITCH LOCOS ONLY) | X | | X | |
| CHANGE LUBE OIL FILTERS (SWITCH LOCOS ONLY) | X | | X | |
| COMPLETE UNIT WORK REPORT F-0463 | X | X | X | |

INSPECTION

- 30 DAY (ALL) - ITEMS 1 thru 43 incl.
- 100 DAY (ALL) - ITEMS 1 thru 53 incl.
- 350 DAY (ALL) - ITEMS 1 thru 64 incl.
- 720 DAY (ALL) - ITEMS 1 thru 74 incl.

| NO. | MAINTENANCE ITEMS | | | COMPLETED BY | | | |
|-----|--|---|---|--------------|---|---|--|
| 1. | MAKE DAILY INSPECTION AS PER MI GROUP SLES | X | X | X | X | X | |
| 2. | INSPECT AND SERVICE EQUIPMENT IN ELECTRIC LOCKER | X | X | X | X | X | |
| 3. | CHECK AND REPLENISH TRACTION MOTOR GEARCASE GREASE | X | X | X | X | X | |
| 4. | CHECK GEAR CASES AND GEARCASE BOLTS | X | X | X | X | X | |
| 5. | ADD TRACTION MOTOR SUPPORT BEARING OIL TO FULL LEVEL | X | X | X | X | X | |
| 6. | INSPECT SUPPORT BEARING CAP BOLTS FOR TIGHTNESS AND ENSURE THEY ARE LOCKWIRED | X | X | X | X | X | |
| 7. | CHECK OPERATION OF COLR (IF EQUIPPED) | X | X | | | | |
| 8. | INSPECT TRACTION MOTOR CUTOFF SWITCHES TO ENSURE ALL MOTORS ARE CUT IN | X | X | X | X | X | |
| 9. | CHECK TRACTION MOTOR BLOWERS FOR PROPER ROTATION. CLEAR SCREENS | X | X | | | | |
| 10. | CHECK THE FOLLOWING CIRCUITS FOR GROUNDS: | | | | | | |
| | A. HIGH VOLTAGE (POWER) | X | X | X | X | X | |
| | B. LOW VOLTAGE (CONTROL) | X | X | X | X | X | |
| | C. AC | X | X | X | | | |
| 11. | CHECK THAT ALL ACCESS PANELS, DOORS, COVERS, AND WATCHES TO ELECTRICAL EQUIPMENT AND CABINETS ARE IN PLACE AND ARE SECURE; AND HAVE PROPER WARNING DECAL APPLIED | X | X | X | X | X | |
| 12. | CHECK OPERATION AND SETTING OF WHEEL SLIP CUTOFF | X | X | X | X | X | |
| 13. | CHECK THAT SPARE FUSE HOLDER AND VOLTAGE ESTIMATOR ARE SUPPLIED WITH THE PROPER SIZES OF SECURITY-TYPE SPARE FUSES | X | X | X | X | X | |
| 14. | CHECK ELECTROLYTE LEVEL IN BATTERIES, AND CLEAN BATTERY COMPARTMENT WITH WATER AND SCBA | X | X | X | X | X | |
| 15. | INSPECT ALL VISIBLE INSULATION, CONNECTIONS, PLUGS, RECEPTACLES AND RELATED WIRING | X | X | X | X | X | |
| 16. | CHECK OPERATION AND CALIBRATION OF ELECTRONIC SPEED INDICATOR | X | X | X | X | X | |
| 17. | CHECK OPERATION AND SETTING OF OVERSPEED CUTOFF | X | X | X | X | X | |

DATE _____

INSPECTION NO. _____

0 DAY (ALL) - ITEMS 1 thru 43 incl.

0 DAY (ALL) - ITEMS 1 thru 53 incl.

0 DAY (ALL) - ITEMS 1 thru 64 incl.

0 DAY (ALL) - ITEMS 1 thru 74 incl.

| MULTI-PURPOSE ITEMS | | CONTINUED ON | | | | | |
|---|--|--------------|--|--|--|--|--|
| C. CHECK FOR MISSING BOLTS, COVERS ETC., ON THE FOLLOWING EQUIPMENT, AND REPLACE AS NECESSARY | | | | | | | |
| 1. | MAIN GENERATOR AND/OR ALTERNATOR | | | | | | |
| 2. | AUXILIARY GENERATOR | | | | | | |
| 3. | FUEL PUMP MOTOR | | | | | | |
| 4. | STARTING MOTORS | | | | | | |
| 5. | EXCITER | | | | | | |
| 6. | LOAD REGULATOR | | | | | | |
| 7. | CRANKCASE EXHAUSTER MOTOR | | | | | | |
| 8. | TURBO LUBE PUMP MOTOR | | | | | | |
| 9. | TRACTION MOTOR 1 2 3 4 5 6 | | | | | | |
| 10. | | | | | | | |
| 11. | | | | | | | |
| 12. | | | | | | | |
| D. PERFORM A FUNCTIONAL CHECK ON THE FOLLOWING WARNING AND PROTECTIVE DEVICES: | | | | | | | |
| A. | HOT ENGINE | | | | | | |
| B. | MR-MR-NDCR (AS EQUIPPED) | | | | | | |
| C. | LOW OIL | | | | | | |
| D. | GROUND RELAY AND AUTOMATIC RESET (AS EQUIPPED) | | | | | | |
| E. | OVR | | | | | | |
| F. | ELR (ELD TIME OUT) | | | | | | |
| G. | FDR | | | | | | |
| H. | FFOR | | | | | | |
| I. | COLR | | | | | | |
| J. | CBP | | | | | | |
| K. | ANNUNCIATOR MODULE (DASH 2 LOGG. ONLY) | | | | | | |
| L. | WHEELSLIP MODULE (DASH 2 LOGG. ONLY) | | | | | | |
| M. | | | | | | | |
| N. | | | | | | | |
| O. | | | | | | | |

INSPECTION

- 30 DAY (ALL) - ITEMS 1 thru 43 incl.
- 60 DAY (ALL) - ITEMS 1 thru 53 incl.
- 90 DAY (ALL) - ITEMS 1 thru 64 incl.
- 120 DAY (ALL) - ITEMS 1 thru 74 incl.

| | | | | | | | | | |
|-----|---|---|---|---|---|---|---|---|---|
| 11. | MAINTENANCE ITEMS | | | | | | | | |
| 12. | CHECK AUXILIARY GENERATOR VOLTAGE (VOLTAGE) | X | X | X | X | X | X | X | X |
| 13. | CHECK THROTTLE SEQUENCE, LOADING FORWARD AND REVERSE, AND THROTTLE SHUTDOWN AND MU STOP | X | X | X | X | X | X | X | X |
| 14. | PERFORM CONTROL AIR TEST | X | X | X | X | X | X | X | X |
| 15. | CHECK TESTS BEING CONDUCTED ON LOCOMOTIVE | X | X | X | X | X | X | X | X |
| 16. | | | | | | | | | |
| 17. | INSPECT EQUIPMENT BLOWER WHEEL FOR CRACKS AND PROPER OPERATION | | | X | X | X | X | X | X |
| 18. | BLOW OUT ALL ELECTRICAL ROTATING EQUIPMENT INCLUDING TRACTION MOTORS WITH CLEAN, DRY AIR. WASH DOWN ALL BRUSH-HOLDER INSULATORS WITH APPROVED ELECTRICAL CLEANER. | X | X | X | X | X | X | X | X |
| 19. | CHECK BRUSHES IN THE FOLLOWING ROTATING EQUIPMENT. CHECK ALL BRUSHES FOR PROPER BRUSH BEAR LIMIT | | | | | | | | |
| | A. MAIN GENERATOR AND/OR ALTERNATOR | X | X | X | X | X | X | X | X |
| | B. AUXILIARY GENERATOR | X | X | X | X | X | X | X | X |
| | C. FUEL PUMP MOTOR | X | X | X | X | X | X | X | X |
| | D. STARTING MOTOR | X | X | X | X | X | X | X | X |
| | E. EXHAUST | X | X | X | X | X | X | X | X |
| | F. LOAD REGULATOR | X | X | X | X | X | X | X | X |
| | G. COMMUTATOR BRUSHES | X | X | X | X | X | X | X | X |
| | H. TURBO CHARGER MOTOR | X | X | X | X | X | X | X | X |
| | I. TRACTION MOTOR 1 2 3 4 5 6 | X | X | X | X | X | X | X | X |
| | J. | | | | | | | | |
| | K. | | | | | | | | |
| | L. | | | | | | | | |
| 20. | INSPECT RADIATOR COOLING FANS FOR MOUNTING AND PROPER ROTATION, CHECK TEMPERATURE SWITCHES | X | X | X | X | X | X | X | X |
| 21. | INSPECT OPERATION OF TEMPERATURE SWITCHES | | | | | | | | |
| 22. | SHUTTERS FOR ENGINE AND SUPERCHARGER | | | | | | | | |
| 23. | CHECK TRANSITION (VOLTAGE OPERATED CONV. ON SOME UNITS) | X | X | X | X | X | X | X | X |
| 24. | CHECK TRANSITION (UNITS EQUIPPED WITH CONV. ON LAST SECTION) | X | X | X | X | X | X | X | X |
| 25. | | | | | | | | | |

DATE _____

INSPECTION _____

- 30 DAY (ALL) - ITEMS 1 thru 43 incl.
- 60 DAY (ALL) - ITEMS 1 thru 53 incl.
- 90 DAY (ALL) - ITEMS 1 thru 64 incl.
- 120 DAY (ALL) - ITEMS 1 thru 74 incl.

| NO. | MAINTENANCE ITEMS | X | X | X | X | X | COMPLETION DATE |
|-----|--|---|---|---|---|---|-----------------|
| 1. | THOROUGHLY CLEAN BOTTOM OF ELECTRICAL CABINETS | X | X | X | X | X | |
| 2. | INSPECT ALL TRACTION MOTOR WICKS AND RENEW BRUSHES | X | X | X | X | X | |
| 3. | PERFORM AYS INSPECTION | X | X | X | X | X | |
| 4. | REMOVE COVER AND INSPECT ELECTRIC DRIVE FOR ELECTRONIC SPEED INDICATOR | X | X | X | X | X | |
| 5. | INSPECT TRAINLINE RECEPTACLE | X | X | X | X | X | |
| 6. | TEST AND TAG FOR JUMPER CABLE | X | X | X | X | X | |
| 7. | | | | | | | |
| 8. | | | | | | | |
| 9. | | | | | | | |
| 10. | | | | | | | |
| 11. | | | | | | | |
| 12. | | | | | | | |
| 13. | | | | | | | |
| 14. | INSPECT AND SERVICE CAB HEATER MOTORS | X | X | X | X | X | |
| 15. | INSPECT AND SERVICE GYROLITES | X | X | X | X | X | |
| 16. | REVERSE POLARITY ON ALL SLIP RINGS ON ALL ALTERNATORS | X | X | X | X | X | |
| 17. | INSPECT AND SERVICE CONTROL STAND | X | X | X | X | X | |
| 18. | CALIBRATE AND TEST WHEEL SLIP CIRCUITS | X | X | | | | |
| 19. | | | | | | | |
| 20. | | | | | | | |
| 21. | | | | | | | |
| 22. | | | | | | | |
| 23. | | | | | | | |
| 24. | | | | | | | |
| 25. | CHECK OPERATION AND CALIBRATION OF TRANSDUCER CIRCUIT | X | X | X | X | X | |
| 26. | CHECK OPERATION AND CALIBRATION OF COIL CIRCUIT | X | X | | | | |

DATE _____

NO. _____

INSPECTION _____

- 50 DAY (ALL) - ITEMS 1 thru 43 incl.
- 100 DAY (ALL) - ITEMS 1 thru 53 incl.
- 150 DAY (ALL) - ITEMS 1 thru 64 incl.
- 180 DAY (ALL) - ITEMS 1 thru 74 incl.

| NO. | MAINTENANCE ITEMS | | | COMPLETED BY | | | |
|-----|---|---|---|--------------|---|---|--|
| 66. | INSPECT WATER COOLER MOTOR AND BLOW OUT CONDENSER | X | X | X | X | X | |
| 67. | CHANGE ALL AMMETERS | X | X | X | X | X | |
| 68. | CHANGE FUEL PUMP MOTORS | X | X | X | X | X | |
| 69. | CHANGE CRANKCASE EXHAUSTER MOTORS | | | | | X | |
| 70. | MAKE ALL MODIFICATIONS DUE | X | X | X | X | X | |
| 71. | THOROUGHLY CLEAN, PAINT AND SERVICE MAIN GENERATOR | X | X | X | X | X | |
| 72. | PERFORM HIGH POTENTIAL TEST ON HIGH VOLTAGE AND A.C. CIRCUITS | X | X | X | X | X | |
| 73. | PERFORM LOAD TEST | X | X | X | X | X | |
| 74. | CLEAN BATTERY COMPARTMENTS AND PAINT WITH BLACK ASPHALTUM PAINT | X | X | X | X | X | |
| 75. | CHANGE ALL MAGNET VALVES | X | X | X | X | X | |
| 76. | CHANGE POWER CONTACTORS (PNE. ELECT.) | X | X | | X | X | |
| 77. | CHANGE REVERSER HEAD (PNE.- ONLY) | X | X | | X | X | |
| 78. | CHANGE TURBO LUBE OIL PUMP MOTOR | X | X | X | | | |
| 79. | CHANGE STARTING MOTORS | | | X | X | | |
| 80. | REMOVE AND CLEAN HEAT SINKS ON ALTERNATORS | | | X | X | X | |
| 81. | | | | | | | |
| 82. | | | | | | | |
| 83. | | | | | | | |
| 84. | | | | | | | |

ILLINOIS CENTRAL GULF RAILROAD

SHOP _____ DATE _____

LOCO. NO. _____ INSPECTION _____

- 90 DAY ITEMS 1 THROUGH 43 INCLUSIVE
- 180 DAY ITEMS 1 THROUGH 58 INCLUSIVE
- 360 DAY ITEMS 1 THROUGH 76 INCLUSIVE
- 720 DAY ITEMS 1 THROUGH 85 INCLUSIVE

END REPAIRS BY _____
 END TUNE-UP BY _____
 END OIL CHANGES BY _____
 END INSPECTION BY _____

| NO. | MAINTENANCE ITEM | | | | | COMPLETED BY |
|-----|---|---|---|---|---|--------------|
| 1. | MAKE DAILY INSPECTION PER M.I. GROUP 5103 | X | X | X | X | |
| 2. | CLEAN & SERVICE TOILET | X | X | X | X | |
| 3. | RECORD MANOMETER READING OF PAPER AIR FILTERS IDLE _____ INS. 8TH NOTCH _____ INS. | X | X | X | X | |
| 4. | TAKE LUBE OIL & COOLING WATER SAMPLES FOR LAB ANALYSIS | X | X | X | X | |
| 5. | CHECK PANEL BATH ENGINE AIR FILTER OIL LEVEL | X | | X | | |
| 6. | CHECK OIL LEVEL IN ENGINE BLOWER FILTERS (AIR MAZE) | X | | | | |
| 7. | CHANGE CARBODY & IMPINGEMENT TYPE BLOWER FILTERS | X | | | | |
| 8. | | | | | | |
| 9. | MAKE WHEEL CONDITION REPORT F-0469 | X | X | X | X | |
| 10. | CHECK OIL LEVEL IN FAN DRIVE GEAR BOX | | | X | X | |
| 11. | CHECK OIL LEVEL IN TRACTION ALTERNATOR GEAR BOX | | | X | X | |
| 12. | LUBRICATE CYLINDER FUEL PUMP LINKAGES | | | X | X | |
| 13. | CHECK & REPORT CRANKSHAFT LATERAL MOVEMENT | | | X | | |
| 14. | POP TEST ALL CYLINDERS FOR PROPER FIRING | | | X | X | |
| 15. | | | | | | |
| 16. | CHECK OIL LEVEL IN JOURNAL BOXES | X | X | | | |
| 17. | ADD TRACTION MOTOR SUPPORT BEARING OIL TO FULL LEVEL | X | X | X | X | |
| 18. | INSPECT SUPPORT BEARING CAP BOLTS FOR TIGHTNESS & INSURE THEY ARE LOCK WIRED | X | X | X | X | |
| 19. | CHECK & REPLENISH TRACTION MOTOR GEAR GREASE | X | X | X | X | |
| 20. | CHECK GEAR CASES & GEAR CASE BOLTS | X | X | X | X | |
| 21. | | | | | | |

DAY ITEMS 1 THROUGH 43 INCLUSIVE
 DAY ITEMS 1 THROUGH 58 INCLUSIVE
 DAY ITEMS 1 THROUGH 76 INCLUSIVE
 DAY ITEMS 1 THROUGH 85 INCLUSIVE

END ROOTS BL...
 END TURBO...
 OR U39 & U33
 ALSO

| MAINTENANCE ITEM | | | | | COMPLETED BY |
|---|---|---|---|---|--------------|
| CHECK & VERIFY OPERATION OF MECHANICAL SPEED RECORDER | X | X | X | X | |
| CHANGE ALL LUBE OIL FILTERS | | | X | X | |
| CHANGE ALL FUEL OIL FILTERS | X | X | X | X | |
| CLEAN ALL FUEL & LUBE OIL STRAINERS | X | X | X | X | |
| | | | | | |
| CHECK OPERATION LOW WATER & CRANKCASE PROTECTOR | X | X | X | X | |
| LUBRICATE ALL EQUIPMENT BLOWER & PILLOW BLOCK BEARINGS | X | | X | X | |
| LUBRICATE AIR COMPRESSOR COUPLINGS AND FAN UPPER DRIVE SHAFT BEARING | | | X | X | |
| DRAIN CONDENSATION FROM FUEL TANK SUMP | X | X | X | X | |
| OPEN ALL CARBODY, GENERATOR & SUMP DRAINS | X | X | X | X | |
| | | | | | |
| REMOVE & INSPECT MOTOR SUPPORT WICKS; CHECK FOR WATER; RENEW GASKETS | X | X | X | X | |
| CHANGE TURBO SUPPLY & SOAK BACK FILTER | | X | | | |
| CHANGE AIR COMPRESSOR PAPER FILTER | | | X | X | |
| CHANGE AIR BRAKE EQUIPMENT PER M.I. GROUP 1600 | X | X | X | X | |
| MAKE RING & CRANKCASE INSPECTION PER M.I. GROUP 100 | X | X | | | |
| CHECK EMERGENCY FUEL CUTOFF | X | | | | |
| CLEAN CAB, SHORT HOOD COMPARTMENT, DECK UNDER CAR, FLOOR ENGINE ROOM, ENGINE "VEE", GENERATOR COMPARTMENT & LOCOMOTIVE EXTERIOR | X | X | X | X | |
| CLEAN ALL SPARK ARRESTOR TRAPS & SCREENS | X | | | | |
| CHECK ALL TESTS BEING CONDUCTED PER MACS | X | X | X | X | |
| | | | | | |
| COMPLETE "UNIT WORK REPORT" F-0463 | | | | | |

90 DAY ITEMS 1 THROUGH 43 INCLUSIVE
 100 DAY ITEMS 1 THROUGH 58 INCLUSIVE
 300 DAY ITEMS 1 THROUGH 76 INCLUSIVE
 720 DAY ITEMS 1 THROUGH 85 INCLUSIVE

END ROOTS BLOCH
 END THROUGH
 GE U30 & U33
 ALCO

| NO. | MAINTENANCE ITEM | | | | | COMPLETED BY |
|-----|---|---|---|---|---|--------------|
| 44. | TAKE AIR COMPRESSOR OIL SAMPLE FOR LAB ANALYSIS | X | X | X | X | |
| 45. | CHANGE AIR COMPRESSOR OIL PER M.I. GROUP 1000 | X | X | X | | |
| 46. | CHANGE AIR COMPRESSOR PAPER FILTER | X | X | | | |
| 47. | | | | | | |
| 48. | CLEAN RADIATOR AIR PASSAGES & HEATER CORE PASSAGES | X | X | X | X | |
| 49. | TORQUE EXHAUST BASE BOLTS & EXHAUST BANDS | X | X | X | X | |
| 50. | TORQUE ENGINE BASE BOLTS & INSPECT WEDGES | X | X | X | X | |
| 51. | DRAIN & CLEAN PANEL BATH FILTERS; CLEAN FILTER COMPARTMENT | X | X | X | X | |
| 52. | TORQUE TOP DECK FRAME BOLTS & INSPECT TOP DECK COVER GASKETS | X | X | | | |
| 53. | CLEAN OIL SEPARATOR SCREEN & VENTURA TUBE | | X | | | |
| 54. | CHANGE ALL FUEL NOZZLES | | | X | | |
| 55. | BORESCOPE ALL CYLINDERS | | | X | | |
| 56. | SET VALVE CLEARANCE, FUEL PUMP TIMING & RACK SETTINGS | | | X | X | |
| 57. | CLEAN TURBO AIR ORIFICE & CHECK AIR FLOW | | | | X | |
| 58. | | | | | | |
| 59. | CLEAN CAB INTERIOR WITH APPROVED CLEANING AGENT | X | X | X | X | |
| 60. | MAKE ALL MODIFICATIONS DUE PER MACS | X | X | X | X | |
| 61. | CHANGE AIR COMPRESSOR OIL; SEND SAMPLE OF OIL TO LAB FOR ANALYSIS | X | X | X | X | |
| 62. | CHANGE GOVERNOR OIL; CLEAN FILTER IF EQUIPPED | X | X | X | X | |
| 63. | CHANGE CRANKCASE PROTECTOR DEVICE | X | X | X | X | |
| 64. | CHANGE OIL IN FAN DRIVE & ALTERNATOR GEAR BOXES | | | X | X | |

50 DAY ITEMS 1 THROUGH 43 INCLUSIVE
 60 DAY ITEMS 1 THROUGH 58 INCLUSIVE
 70 DAY ITEMS 1 THROUGH 76 INCLUSIVE
 75 DAY ITEMS 1 THROUGH 85 INCLUSIVE

END ROOTS BLOWN
 END TURBOCHARGED
 GE U20 & U33
 ALSO

| NO. | MAINTENANCE ITEMS | | | | | COMPLETED BY |
|-----|---|---|---|---|---|--------------|
| 56. | | | | | | |
| 57. | | | | | | |
| 58. | MAKE & RECORD CYLINDER LEAD READINGS | X | X | | | |
| 59. | CHANGE ALL FUEL NOZZLES | | | | X | |
| 70. | | | | | | |
| 71. | CHECK ENGINE OVERSPEED TRIP & INJECTOR TIMING & ENGINE SPEEDS | X | X | X | X | |
| 72. | CHECK OPERATION OF AIR MANIFOLD PRESSURE VALVE | | | | X | |
| 73. | CHANGE ENGINE OVERSPEED LINK | | | X | | |
| 74. | CHANGE THERMOSTATS & CLEAN FLOW VALVES | | | X | | |
| 75. | LOAD TEST ENGINE (UNLESS SEARCH EQUIPPED) | X | X | X | X | |
| 76. | | | | | | |
| 77. | REMOVE & CLEAN AFTERCOOLER | | X | X | X | |
| 78. | CLEAN TURBO EXHAUST SCREENS | | X | | | |
| 79. | CLEAN TURBO EDUCATOR TUBE | | X | X | | |
| 80. | CHANGE ALL FUEL NOZZLE PUMPS | | | X | X | |
| 81. | CHANGE RUBBER DOWELS IN DRIVE GEAR FREE END OF ENGINE | | | X | | |
| 82. | INSPECT CONNECTING ROD BEARINGS | | | X | X | |
| 83. | REMOVE, CLEAN & REPLACE DYNAVANE INERTIAL FILTERS ? | X | X | | | |
| 84. | | | | | | |
| 85. | | | | | | |

AMENDMENT TO GP7 LOCOMOTIVE LEASE BETWEEN
NAPORANO IRON & METAL COMPANY, AS LESSOR
AND HILLSDALE COUNTY RAILWAY COMPANY, INC.
AS LESSEE

NAPORANO IRON & METAL COMPANY, as Lessor ("Naporano") and
HILLSDALE COUNTY RAILWAY COMPANY, INC., as Lessee ("Hillsdale")
hereby agree to the following amendment to the GP7 Locomotive
Lease of even date herewith, and agree to be bound by its
terms and conditions as if the same were fully set forth in
the body of the contract.

NOTWITHSTANDING any of the provisions in the basic document to
the contrary, the following is hereby agreed by the parties and
shall form part of the contract:

(1) Section II, Lease Payments, Place of Payments and
Cancellation:

The first paragraph of Section II shall be amended to
read as follows: Hillsdale shall pay to Naporano a rental for
the use of said locomotive as follows:

- (a) During the first year from the date of acceptance -
\$125.00 per day;
- (b) During the second year - \$125.00 per day;
- (c) During the third year - \$125.00 per day;
- (d) During the fourth year - \$125.00 per day;
- (e) During the fifth year - \$120.00 per day;
- (f) During the sixth through eighth year (year to year agreement)
\$110.00 per day.

Rental shall be due on the first day of each month immediately
following the month for which the rent accrues.

The paragraph beginning with "time is of the essence" shall be amended to read as follows: Time is of the essence of this contract, and the non-payment by Hillsdale for a period of seven (7) days after receipt of written notice from Naporano to Hillsdale, at the notice address, of any sum required hereunder to be paid by Hillsdale, shall constitute a breach of this agreement.

(2) Section VI, Option to Renew Lease shall be amended to read as follows: Naporano hereby grants to Hillsdale the option to renew the lease herein for a period of three (3) years after the expiration of the five (5) year lease term on a year to year basis, provided that during the first year of this extension period Hillsdale gives notice to Naporano in writing of its intention to exercise the option at least ninety (90) days prior to the then existing term of the lease. Thereafter, to wit, the second and third renewal years, this lease shall be cancelable sixty (60) days in advance of the then existing term by either party upon written notice to the other. Otherwise, the lease shall continue on a yearly basis. The rental rate for the three (3) renewal periods shall be \$110.00 per day payable in the same monthly installments as previously provided.

(3) Section XIV, Insurance, shall be amended as follows: Hillsdale agrees to provide a \$500,000.00 liability binder on execution of the lease and an additional \$1.5 million dollar binder to bring the total to a \$2 million dollar binder no later than April 1, 1976, or reasonable extensions thereof agreed to by Naporano in writing. In the event Hillsdale is unable to provide the insurance, then Naporano may at its option

cancel the lease and return the security deposit less the reasonable expenses incurred by Naporano. The agreement is hereby amended to provide that Hillsdale need only obtain \$2 million dollars in liability insurance.

(4) Naporano has agreed to provide one (1) snowplow on the front of locomotive and serviceable Motorola two-way radio equipment for the GP7, and Hillsdale shall be charged \$5.00 per day for the first year of the lease to cover the cost of such equipment. The equipment shall become part of the locomotive and Hillsdale shall have no right, title or interest in and to said equipment.

(5) Hillsdale hereby agrees to provide, within five (5) days hereof, written resolutions by the Board of Directors of Hillsdale approving the amendments to the lease and the lease in its executed form. In the event this documentation is not provided, said locomotive shall not be shipped from Paducah, Kentucky.

(6) All Notice requirements for cancellation of lease or renewal of lease shall be accomplished ninety (90) days prior to the anniversary date on which cancellation is to be effective. This period shall apply wherever applicable in this contract.

(7) Section XXI - Alterations: Hillsdale shall be entitled to place prominently upon the locomotive a logo or other identification, including the name of the railway at its expense.

(8) Section XXVII - Contingency: If, upon inspection of the locomotive, it is found to be unsatisfactory by Hillsdale

representatives, the reasons for same shall be set forth in writing by Hillsdale representatives in a letter to Naporano, and thereafter the lease shall be automatically terminated and Naporano shall return Hillsdale's security deposit.

(9) The letter of January 22, 1976 from Naporano Iron & Metal Company to James Layton, Consultant and incorporator of the Hillsdale Railway, shall form part of this agreement. In addition, the two page specification sheets supplied by Naporano shall identify the equipment to be leased, and shall form part of this contract.

(10) Locomotive being leased shall be readied by Naporano for shipment immediately upon acceptance of the vehicle by Hillsdale representative (including necessary lubricating, and equipment attachments, except that the radio equipment shall be installed in the Hillsdale general vicinity by an agent of Naporano within a reasonable time, not more than two (2) weeks after its arrival in Hillsdale), so that Hillsdale shall be able to begin movement of the locomotive from Paducah, Kentucky to Hillsdale, Michigan, said movement to begin not later than Monday, March 22, 1976 A.M.

In the event of a force majeure or cause beyond Naporano's control, which prevents Naporano from making said locomotive available for shipment on or before March 22, 1976 A.M., then in that event, Naporano shall have an additional two (2) days, to wit, until March 24, 1976 A.M. to make said locomotive available to begin movement. Thereafter, Hillsdale may at its option, at any time within forty-eight (48) hours from March 24, 1976 A.M., notify Naporano in writing or by telegram that it intends to cancel the lease hereupon and all deposits

CERTIFIED COPY OF RESOLUTION OF
HILLSDALE COUNTY RAILWAY COMPANY, INC.

I, ERIC D. GERST, Esquire, as Secretary of the Corporation, do hereby certify that the below mentioned Resolution was duly adopted at a Board of Directors of the Corporation meeting held in Hillsdale, Michigan on March 11, 1976, to wit:

RESOLVED that the President shall be authorized to enter into a lease for a GP7 Locomotive at \$125.00 per day from Naporano Iron & Metal Company of Newark, New Jersey or such other person as the President deems advisable under terms and conditions substantially similar to the proposed lease from Naporano on file with the Company; and the President shall have authority to execute a lease for a back-up locomotive with Alco RS1.

FURTHER RESOLVED that a deposit of \$7,750.00 for the GP7 and such other amount for the RS1 as may be necessary, shall be authorized, and shall be released from the escrow fund immediately, said deposits to be fully refundable by Lessor to the Company if the Company fails to commence operations.

HILLSDALE COUNTY RAILWAY COMPANY, INC.

By: _____

ERIC D. GERST, Secretary



March 11, 1976

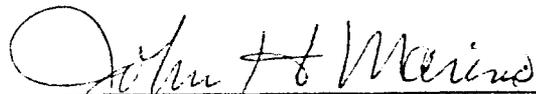
Memorandum

To: Naporano Iron and Metal Co, attn: Jos. Naporano

From: John H. Marino, President, Hillsdale Railway

Re: GP7

This memorandum will serve to authorize Eric D. Gerst, Esq. to enter into a lease with Naporano Iron and Metal under terms and conditions set forth in the lease contract, as approved by a resolution of the Board of Directors of Hillsdale County Railway Company, Inc. on March 11, 1976 in Hillsdale, Michigan. I have reviewed said lease, and this document shall serve as my approval thereto. Mr. Gerst is the Secretary of the corporation.



John H. Marino
President, Hillsdale County
Railway Company, Inc





Telegram

PHC274(1408)(2-030101E076) PD 03/16/76 1408

ICS IPMMTZZ CSP

2013444570 TDMT NEWARK NJ 54 03-16 0208P EST

PMS RONALD WEISZMANN CARE BELVIEW-STRAFFORD HOTELROOM 812, DLR
IMMY, DLR

BROAD AND WALNUT STS
PHILADELPHIA PA

THIS TELEGRAM IS TO AUTHORIZE YOU TO SIGN BOTH LOCOMOTIVE LEASES
(GP7, RSI) WITH HILLSDALE COUNTY RAILWAY COMPANY ON BEHALF OF
NAPORANO IRON AND METAL COMPANY. IF DESIRED WRITTEN CONFIRMATION
WILL BE PROVIDED TO HILLSDALE

NAPORANO IRON AND METAL CO JOSEPH NAPORANO, PRESIDENT

NNNN

IN PAYMENT FOR

3-3
310

PAUL R. ANAPOL
ATTORNEYS-AT-LAW
Philadelphia, Pa.

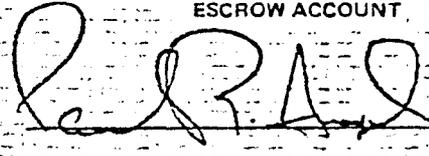
694 E

SIX HUNDRED SEVENTY SEVEN DOLLARS AND 00 CENTS

DOLLARS

| DATE | TO THE ORDER OF | CHECK NO. | AMOUNT |
|---------|-----------------------------|-----------|--------|
| 3/16/76 | Philadelphia Iron Metal Co. | 1694 E | 7750 - |

ESCROW ACCOUNT



GIRARD BANK
PHILADELPHIA, PA.

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