LAW OFFICES OF

BAMBERGER, FOREMAN, OSWALD AND HAHN

708 HULMAN BUILDING

P. O. BOX 657

EVANSVILLE, INDIANA 47704

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(1903-1983)

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RECORDATION NO. 15401 Filed 1425

DEC 7 1987 - 3:30 PM

INTERSTATE COMMERCE COMMISSION

Date 12-7-87

Fee $ 10.00

ICC Washington, D. C.

December 4, 1987

Interstate Commerce Commission
Room 2302
12th and Constitution Avenue NW
Washington, D. C. 20423

Attention: Mildred Lee

Dear Ms. Lee:

Enclosed for filing, find an original of a Lease Agreement by and between Southern Indiana Properties, Inc. ("Lessor") and Indiana Hi-Rail Corp. ("Lessee") concerning six locomotives. Also enclosed find a check in the amount of $10.00 as a filing fee for the same.

Please file the same accordingly, and return a file-marked copy to me in the enclosed self-addressed, stamped envelope. Thank you for your assistance.

Sincerely yours,

Mark E. Miller

MEM:mr
Encls.
CERTIFIED MAIL
NO. P-487 874 251

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Mark E. Miller
708 Hulman Bldg.
P. O. Box 657
Evansville, IN 47704

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 12/7/87 at 3:30PM, and assigned re-recordation number(s).
15401

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

RECORDATION NO. 1 5401 Filed 1425

DEC 7 1987 -3 [illegible] PM

Reference #: 87EQ-03

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

THIS LEASE made this 15th day of October, 1987, by and between SOUTHERN INDIANA PROPERTIES, INC., an Indiana corporation with its principal place of business at 100 N. W. Second Street, Suite 310, P. O. Box 20006, Evansville, Indiana 47708 ("Lessor"), and INDIANA HI-RAIL CORP., with its principal place of business at R.R.1, Connersville, Indiana 47331 ("Lessee"),

WITNESSETH, THAT:

For the consideration set forth herein, Lessor hereby leases to Lessee, and Lessee hires from Lessor, the six (6) locomotives (the "Locomotives") as described in Schedule A attached hereto and made a part hereof, for such rent and for such periods of time as are set forth herein, subject to the following terms and conditions:

SECTION ONE
LOCATION OF LOCOMOTIVES

The Lessee shall take delivery of the Locomotives at such location as they may be on the date of the execution of this Lease Agreement. Lessee agrees that it has verified the location of said Locomotives as of this date and is aware of the cost and difficulties associated with transporting the Locomotives to the location it deems useful and necessary to carry out the functions of its business. Upon request of Lessor from time to time, Lessee shall identify the location of the Locomotives leased hereunder.

SECTION TWO
CARE OF LOCOMOTIVES

Lessee acknowledges that the Locomotives may not be fully operational or in good operating condition as of the date of the Lease hereunder. Lessee agrees to render the Locomotives in full operational condition at its sole expense. Lessee shall at all times use the Locomotives in a careful and proper manner and shall comply with all laws, ordinances and regulations relating to the possession, use or maintenance of the Locomotives. In addition, Lessee shall, at all times, maintain the Locomotives in accordance with industry standards. Lessee agrees to pay all expenses of maintaining and repairing the Locomotives and to furnish lubrication to keep them in peak operating condition.

Expenses of repair as referred to herein shall include labor, material, parts, and similar items.

SECTION THREE
OPERATION OF THE LOCOMOTIVES

Lessee shall provide, at its sole expense, for the registration and licensing of the Locomotives wherever required; shall insure that the Locomotives are operated only by competent and qualified employees of Lessee; and shall insure that the Locomotives are operated in a careful and prudent manner in compliance with the manufacturer's suggested operating procedures and in compliance with all applicable laws and regulations.

SECTION FOUR
IDENTIFICATION OF LOCOMOTIVES

If at any time Lessor supplies Lessee with labels, plates, or other markings stating that the property is owned by the Lessor, Lessee shall affix and keep the same in a prominent place on the Locomotives. Lessee shall not alter, disfigure, or cover up any marks of identification displayed on the Locomotives.

SECTION FIVE
ALTERATIONS

Lessee is hereby given the right to make alterations, additions, or improvements to the Locomotives, so long as the value of the Locomotives is not reduced thereby and the prior consent of the Lessor is obtained.

SECTION SIX
LESSOR'S RIGHT OF INSPECTION

Lessor, and its agents, shall have the right at any time to inspect the Locomotives and shall be given free access thereto and afforded necessary facilities for the purpose of inspection.

SECTION SEVEN
RISK OF LOSS, INSURANCE

Lessee hereby assumes all risk of loss of and damage to the Locomotives from any cause whatsoever, normal wear and tear excepted. No loss of, or damage to, the Locomotives shall impair the obligation of the Lessee under this Lease and all such obligations, including the obligation to pay rent, shall continue in full force and effect.

Lessee agrees to maintain a policy of insurance, in a form and with a company acceptable to Lessor, insuring the Locomotives against loss from all insurable causes in an amount equal to the rent payments required hereunder. Lessor shall be an insured party under said insurance to the extent of its interest in the Locomotives. Lessee shall provide evidence of such insurance to Lessor upon request.

SECTION EIGHT
LIABILITY AND INDEMNITY

THE LESSEE AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS, LESSOR AND ITS AGENTS AND EMPLOYEES FROM ANY CLAIMS, DEMANDS OR LIABILITY OF ANY KIND OR NATURE FOR INJURIES OR DAMAGES TO ANY PERSON OR PROPERTY GROWING OUT OF THIS LEASE OR THE USE, OWNERSHIP, OR OPERATION OF THE LOCOMOTIVES, IN ANY MANNER, WAYS OR MEANS, WHETHER DUE IN WHOLE OR IN PART TO THE NEGLIGENCE OF SAID LESSEE, ITS AGENT OR EMPLOYEES, OR THE LESSOR, ITS AGENTS OR EMPLOYEES, OR OTHER PERSONS OR ENTITIES ENGAGED IN THE OPERATION OR MAINTENANCE OF THE LOCOMOTIVES, OR THE JOINT NEGLIGENCE OF ANY OF THE AFORESAID IN ANY COMBINATION.

In addition to the foregoing, Lessee shall maintain a five million dollar policy of general liability insurance and contract liability insurance with a company and in a form acceptable to Lessor. Lessee shall provide evidence of such insurance to Lessor upon request.

SECTION NINE
TAXES AND FEES

Lessee shall pay all taxes and assessments against the Locomotives or the owners thereof, and shall pay all license and registration fees on the Locomotives during the term of this Lease and shall furnish to the Lessor satisfactory proof of the payment of the aforesaid items before the same shall become delinquent.

SECTION TEN
DEFAULT

The following shall constitute events of default, upon the happening of which, without notice or demand to the Lessee, Lessor may accelerate all sums due hereunder and demand full and complete payment for the same:

(a) The nonpayment by Lessee for a period of fifteen (15) days of any sum required hereunder to be paid by Lessee.

(b) The nonperformance of Lessee of any other covenant or condition of this Lease which is not cured within fifteen (15) days after notice thereof from Lessor.

(c) Any affirmative act of insolvency by Lessee, or the filing by Lessee of any petition under any bankruptcy, reorganization, insolvency, or moratorium law, or any law for the relief of, or relating to, debtors.

(d) The filing of any involuntary petition under any bankuptcy statute against Lessee which is not dismissed within sixty (60) days from the date of filing, or the appointment of any receiver or trustee to take possession of all or a portion of the property of the Lessee.

SECTION ELEVEN
LESSOR'S RIGHTS UPON DEFAULT

On the occurrence of any of the events defined in Section Ten as constituting defaults, Lessor may, without notice to or demand on Lessee:

(a) Take possession of the Locomotives and lease the same or any portion thereof, for such period and such rental, and to such persons, as Lessor 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 Locomotives, in payment of the lease and other obligations due from Lessee to Lessor hereunder, Lessee remaining responsible for any deficiency; or

(b) Take possession of the Locomotives and sell them or any portion thereof at public or private sale without demand or notice of intention to sell, and apply the proceeds of any such sale, after deducting all costs and expenses incurred in connection with the recovery, repair, storage, and sale of the equipment and any rentals and other obligations of Lessee then due hereunder, against the outstanding principal balance owed hereunder. If the proceeds, after the deduction, are less than the outstanding principal balance, Lessee shall immediately pay Lessor the difference.

(c) In addition to the above prescribed remedies, the Lessor may seek any other available remedies under law.

SECTION TWELVE
OWNERSHIP OF EQUIPMENT

Title to the Locomotives shall at all times remain in Lessor's name unless transferred to Lessee by sale. Lessee shall only have the right to retain possession of said Locomotives pursuant to the conditions hereof. Lessee shall give Lessor immediate notice of any claim, levy, lien, or legal process issued against the Locomotives. Lessee agrees to immediately discharge any such claim, levy, lien, or legal process at its sole expense. In the event Lessee fails to discharge such claim, levy, lien, or legal process, Lessor may do so at its expense and charge its expenses in discharging the same to Lessee, together with interest at the rate of eighteen percent (18%) per annum.

SECTION THIRTEEN
ASSIGNMENT

Either party may assign this Lease subject only to the prior consent of the other party, which consent shall not be unreasonably withheld. However, such assignment shall not release the assigning party from its duties, liabilities and obligations hereunder.

SECTION FOURTEEN
ATTORNEYS' FEES

In the event any action is filed in relation to this Lease, the unsuccessful party in the action shall pay to the successful party, in addition to all other sums that either party may be called on to pay, a reasonable sum for the successful party's attorneys' fees.

SECTION FIFTEEN
WARRANTIES

LESSOR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF FITNESS AND MERCHANTABLITY, AS TO THE LOCOMOTIVES. SAID LOCOMOTIVES ARE LEASED IN "AS IS" CONDITION. LESSEE AGREES THAT IT HAS INSPECTED THE LOCOMOTIVES AT THEIR PRESENT LOCATION PRIOR TO THE EXECUTION OF THIS INSTRUMENT AND IS SATISFIED THAT IT IS ADEQUATELY ADVISED AS TO THE CONDITION OF SAID LOCOMOTIVES.

SECTION SIXTEEN
TAX DEPRECIATION

The Lessor shall be entitled to any and all depreciation of the Locomotives for the purposes of State and Federal tax laws.

SECTION SEVENTEEN
TERM

The term of this Lease shall be for three (3) years, commencing on the date first above written.

SECTION EIGHTEEN
PURCHASE OPTION

Upon completion of the term of this Lease, Lessee shall have the option to purchase clear title to the Locomotives for the sum of One Dollar ($1.00). Any sale under this option shall be conducted on an "as is" basis with no warranties expressed or implied by the Lessor, EXCEPT, that the Lessor shall warrant that the titles to the Locomotives are clear and unencumbered by any acts or omissions of the Lessor.

SECTION NINETEEN
RENTAL AND VALUE OF LOCOMOTIVES

Lessee agrees to pay Lessor as rent for the Locomotives hereunder for the term set forth above, the sum of One Hundred Seventeen Thousand Eight Hundred Fifty-eight Dollars and Ninety-six Cents ($117,858.96) in equal monthly installments of Three Thousand Two Hundred Seventy-three Dollars and Eighty-six Cents ($3,273.86) commencing on the first day of the month immediately following the execution date of this Agreement and continuing on the same day of each month thereafter until paid in full.

SECTION TWENTY
EVIDENCE OF OWNERSHIP

Lessee agrees to execute all documents required by counsel for Lessor to evidence the Lessor's ownership in the Locomotives and to protect such interest of the Lessor, including, but not limited to, certificates of title and financing statements.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement at Evansville, Indiana, as of the day and year first above written.

SOUTHERN INDIANA PROPERTIES, INC.

By _____

Its N. P. Wagner, Chairman and C.E.O.

ATTEST:

_____

Its Secretary & Treasurer

"LESSOR"

INDIANA
HI-RAIL CORP.

By _____

Its President

ATTEST:

_____

Its Vice President

"LESSEE"

SCHEDULE "A"

TWO (2) 1200 H.P. EMD MODEL SW1200 DIESEL-ELECTRIC LOCOMOTIVES, BEARING IHRC ROAD NUMBERS 216 AND 221.

FOUR (4) 2,500 H.P. EMD MODEL SD-35 DIESEL-ELECTRIC LOCOMOTIVES, BEARING IHRC ROAD NUMBERS 400,411,413, AND 455.

SOUTHERN INDIANA PROPERTIES, INC.

BY: _____

ITS: N. P. Wagner, Chairman and C.E.O.
"LESSOR"

INDIANA HI-RAIL CORPORATION

BY: _____

ITS: President
"LESSEE"