

RECORDATION NO. 21026 FILED

NOV 25 '97 11-55 AM

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ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

RECORDATION NO. 21026-A, B, C, D FILED

NOV 25 '97 11-55 AM

RECEIVED
SURFACE TRANSPORTATION BOARD
NOV 25 11 55 AM '97

November 25, 1997

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Master Equipment Lease Agreement, dated as of June 28, 1996, a primary document as defined in the Board's Rules for the Recordation of Documents and two (2) copies of the following secondary documents related thereto: Lease Schedule, dated June 28, 1996; Locomotive Lease (Sublease), dated December 11, 1996; First Addendum to Locomotive Lease, dated August 4, 1997; and Assignment Agreement, dated August 20, 1997.

The names and addresses of the parties to the enclosed documents are:

Master Equipment Lease Agreement
and Lease Schedule

Lessor: First Security Leasing Company
381 East Broadway
2nd Floor
Salt Lake City, Utah 84111

Lessee: Nevada Industrial Switching, Inc.
45 West University
Suite A
Mesa, Arizona 85201

Vertical handwritten notes on the left margin, including "Surface Transportation Board" and other illegible text.

Mr. Vernon A. Williams
November 25, 1997
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B → Locomotive Lease (Sublease) and
First Addendum to Locomotive Lease

Lessor: Nevada Industrial Switching, Inc.
45 West University, Suite A
Mesa, Arizona 85201

Lessee: Formosa Plastics Corporation, Texas
201 Formosa Drive
Point Comfort, Texas 77978

Assignment Agreement

Assignor: Nevada Industrial Switching, Inc.
45 West University, Suite A
Mesa, Arizona 85201

Assignee: First Security Leasing Company
381 East Broadway, 2nd Floor
Salt Lake City, Utah 84111

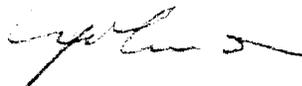
A description of the railroad equipment covered by the enclosed documents is:

four (4) SW-10 locomotives: NIS 1261, NIS 1262, NIX 1263 and NIS 1268

Also enclosed is a check in the amount of \$120.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of each of the enclosed documents to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/bg
Enclosures

RECORDATION NO. 21026-B FILED

NOV 25 '97

11-55 AM

-FIRST COPY-

NEVADA INDUSTRIAL SWITCHING, INC.

LOCOMOTIVE LEASE NO. 96-12-1

THIS AGREEMENT, made and entered into this 11th day of December, 1996, by and between NEVADA INDUSTRIAL SWITCHING, a Nevada Corporation, hereinafter called "LESSOR" and FORMOSA PLASTICS CORPORATION, TEXAS a Texas Corporation, hereinafter called "LESSEE".

WITNESSETH:

WHEREAS, Lessor is willing to furnish three (3) second-hand SW-10, EMD 1200HP locomotives per specifications and description as shown on attached Exhibit "A", and Lessee is desirous of leasing said locomotives.

NOW THEREFORE, in consideration of the premises and of the covenants, promises and undertakings of the parties hereto, as hereinafter contained, it is agreed as follows:

1. Lessor agrees to deliver to the Lessee at Formosa, TX served by Union Pacific Railroad, on or about March 31, 1997, three (3) second-hand SW-10, EMD 1200HP locomotives. Locomotives to be in compliance with the Federal Railroad Administration requirements. Acceptance of locomotives by Lessee at Formosa, TX shall constitute acceptance by Lessee, and shall be conclusive evidence of the fit and suitable condition of locomotives.
2. Lessor shall furnish three (3) EMD GP-9 locomotives as "interim power" until such time as the three (3) EMD SW-10 locomotives referred to in Article 1 are delivered. The three (3) interim units shall be furnished at monthly lease rate of Two Thousand Nine Hundred Dollars (\$2,900.00) per unit per month. Transportation charges for delivery of each interim unit from Fresno, CA to Formosa, TX and return to Lessor at Houston, Texas shall be for account of Lessee. All terms and conditions of this Agreement shall govern, except #3, and first sentence in #4.
3. This lease shall become effective as of the date hereof, and unless otherwise terminated by any other provision hereof, shall continue in full force and effect for sixty (60) consecutive calendar months following acceptance of units referred to in Article 1 by Lessee. Lessee shall have option at end of initial twenty-four (24) month period, to terminate one or all of units covered by this Agreement, at any time during remaining thirty-six (36) months of Agreement by giving Lessor sixty (60) days advance written notice of intention to terminate Agreement and payment to Lessor by Lessee of termination fee in amount of \$15,000 for each unit to be terminated. Lessee shall also have option to purchase each unit and terminate Agreement and no termination fee shall apply on one or all of units as follows:

End of Year 2	-	\$120,000	Per Unit
" " " 3	-	\$100,000	" "
" " " 4	-	\$85,000	" "
" " " 5	-	\$70,000	" "

4. Lessee covenants and agrees to pay rental charges to the Lessor for the use of each locomotive at the rate of Three Thousand One Hundred Dollars (\$3,100.00) per month per unit during the term of this lease beginning on the date of acceptance by Lessee of unit at Formosa, TX and continuing until each locomotive is returned to Lessor. Monthly lease payments shall be due on the first day of each month, in advance. In the event that any locomotive is out of service for repairs or maintenance for more than one (1) day in any month, the monthly rental charge will be reduced by one thirtieth for each full day the locomotive is out of service.

5. Lessor agrees to maintain each locomotive described in Exhibit "A", and any interim units, in satisfactory operating condition. Lessor shall be responsible for all repairs for the term of this lease. Lessee shall provide all consumables such as fuel, water, and sand during term of lease.

6. Lessor agrees to maintain each unit in a serviceable condition to permit Lessee to perform switching service on a daily basis. In the event of nonperformance by either Lessor or Lessee of their responsibilities or obligations under this Agreement the following procedure will be followed. Notification must be made in writing to party in violation of Agreement outlining in detail any and all violations. Notification must be forwarded by Certified Mail to party in violation of Agreement who upon receipt of written notification will be given thirty (30) days from date notification is received to respond in writing advising in detail remedy for correcting violation. Party in violation of Agreement will then be given an additional thirty (30) days to correct violation. In event violation is not corrected by end of this sixty (60) day period the complaining party shall have the right, but shall not be obligated, to terminate this Agreement upon an additional thirty (30) day notice, with termination fee to be paid by defaulting party. All written notifications and responses required by this Agreement are to be made by Certified Mail to offices of Lessor at Mesa, AZ and Lessee at Point Comfort, TX.

7. Lessee will execute a Certificate of Acceptance on each locomotive, with any noted defects to be corrected by Lessor.

8. Locomotives shall be considered to be delivered to Lessee hereunder upon date of acceptance by Lessee at Formosa, TX. In the furnishing of locomotives Lessor shall not be liable for delay or other matters beyond its control.

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9. Lessor shall not be liable for any environmental impact problems that may arise with regard to normal operation and maintenance of locomotives under any present or future regulations that may be issued or enforced by any City, Municipal, State or Federal Authority. Lessor, however, shall be liable during the term of Agreement for any environmental impact problems which may result from any actions of Lessor or any mechanical failure of locomotives.

10. Upon default by Lessee in the payment of any amounts due under the terms of this lease, whether as rental or otherwise, Lessor at its sole option, by written notice to Lessee, may declare this lease to be terminated and all rights of Lessee to each locomotive to be at an end, and Lessor shall become entitled to the immediate possession of each locomotive. Declaration of default and repossession of locomotives by Lessor shall not excuse Lessee from the liability to Lessor for any rental earned prior to the termination of said lease. Lessee shall further be liable for and shall pay all expenses incurred by Lessor in taking each locomotive into its possession upon such or any default under the terms of this lease.

11. Lessee shall utilize locomotives for commercial railway hauling and/or switching purposes only within Lessee's property. In event Lessee shall find it necessary to operate locomotives upon any railroad owned trackage, then Lessee shall agree to comply with all rules of the Surface Transportation Board, Association of American Railroads and the Federal Railroad Administration, or any successors thereto, with respect to the use, maintenance and operation of locomotives while in possession of Lessee.

12. Lessee shall be liable for and pay and satisfy every lawful claim and liability arising against the use or operation of locomotives during the terms of this lease unless related to or caused by Lessors negligence and, as additional rental, assumes hereunder all license fees; sales, lease or use taxes; and all other charges and penalties imposed by the state of operation or any other state, governmental, or municipal subdivision in which locomotives may be situated, or may be operated, during the term of this lease.

13. Lessee shall provide to Lessor a Certificate of Insurance or a letter explaining Lessee's self insurance status for all liabilities Lessee has assumed under the terms of this Agreement.

a. Lessor shall provide insurance as stipulated in Field Service Contract dated December 11, 1996.

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b. Lessee shall indemnify Lessor against any loss, liability, damage or expense which it may incur by reason of any claim or claims made by third parties growing out of the operation of locomotives, except for any loss, liability damage or expense caused or resulting from (i) any failure of Lessor to perform its obligations hereunder or (ii) any negligent act or omission of Lessor.

14. Lessee agrees that it will use locomotives exclusively in Lessee's own service and to not assign, transfer, sublet or lease its rights under this Agreement, without prior written consent of Lessor, and will not pledge, mortgage or otherwise encumber or permit to exist upon or be subjected to any lien or charge, any right or interest of Lessee hereunder.

15. Lessee hereby understands that Lessor assumes no liability for injuries sustained by any person or employee of Lessee from the use of locomotives except for injuries to Lessor's employees or representatives resulting from the performance of Lessor's obligations hereunder or to Lessee's employees or representative or other persons resulting from Lessor's negligence or wrongful conduct.

16. All payments or notices required to be given hereunder pursuant to this lease shall be in writing and are to be addressed and sent to; if to Lessor to NEVADA INDUSTRIAL SWITCHING, INC., P. O. BOX 5739, MESA, AZ 85211 and if to Lessee to FORMOSA PLASTICS CORPORATION, TEXAS, 201 FORMOSA DRIVE, POINT COMFORT, TEXAS 77978, or such other address as may be designated from time to time by either party in writing. All payments in arrearage shall bear eighteen percent (18%) per annum interest until date paid.

17. The Lessee shall place no lettering or marking of any kind upon locomotives without Lessor's prior written consent, except that, for the purpose of evidencing the operation of locomotives in the Lessee's service hereunder, the Lessee shall be permitted to board, placard, or apply appropriate signs and/or plaques.

18. ~~If the Lessee shall fail to carry out and perform any of the obligations on its part to be performed under this Agreement, or~~ If a petition, in bankruptcy, for reorganization, for a Trustee, or for a Receiver, shall be filed by or against the Lessee, then and in any of said events, Lessor shall have, without notice or demand, the right immediately to repossess the locomotives, to remove locomotives from Lessee's service, and to terminate this Agreement, however, no termination fee shall apply. If Lessor shall not terminate this Agreement, the Lessee's liability for all locomotive rental charges and all other obligations of the Lessee hereunder shall continue. The rights and remedies herein given to Lessor shall in no way limit its other rights and remedies given or provided by law or in equity.

Handwritten: 8/20/91
RJS 1/20/91

-FIRST COPY-

Page 5.

19. Field Service Contract entered into and dated December 11, 1996 is attached and shall be made a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed and delivered the day and year first above written.

ATTEST:

NEVADA INDUSTRIAL SWITCHING, INC.

Jennifer L. Wallace

By Robert J. Shvede
Vice President

ATTEST:

FORMOSA PLASTICS CORPORATION, TEXAS

Mary L. Hall

By [Signature] 1/20/97

EXHIBIT "A"

MODEL SW-10 - EMD 1200 HP DIESEL LOCOMOTIVE

YEAR BUILT	-	1954
YEAR REBUILT	-	1984
DIESEL ENGINE	-	12 CYL. 567-C
FUEL INJECTION	-	MECHANICAL
SPARK ARRESTOR	-	YES
MAIN GENERATOR	-	D-12-B
ALTERNATOR	-	D-14
AUX. GENERATOR	-	18 KW
AIR COMPRESSOR	-	WXO AIR COOLED
AIR BRAKE	-	#26NL
CONTROL STAND	-	MODERN A.A.R. STYLE
M.U. EQUIPPED	-	YES
WIRING	-	NEW EXANE WIRING IN 1984
TRUCKS	-	6 1/2 X 12 ROLLER BEARING
TRACTION MOTORS	-	D-77
WHEELS	-	40" - 1 3/4" OR BETTER
ROLLER BEARINGS	-	CLASS F
BRAKE SHOES	-	COMPOSITION
FUEL TANK CAP.	-	600 GALLONS
GLASS	-	TYPE I & II FRA 223
REFRIGERATOR	-	YES
CAB HEATER	-	YES

PAINT IN FAIR CONDITION AND CARBODY IN VERY GOOD
CONDITION.

DECEMBER 11, 1996

NIS 1261
NIS 1262
NIS 1263

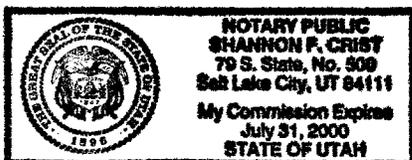
CERTIFICATE OF AUTHENTICITY

I, Ellen J. Toscano, hereby certify that the attached copy of that certain Nevada Industrial Switching, Inc. Locomotive Lease No. 96-12-1 (the "Lease") is a true, accurate and complete copy of the original Lease.



Ellen J. Toscano

Subscribed and Sworn to before me this 24th day of November, 1997.





Notary Public for the State of Utah
Residing in: *Salt Lake County*
My commission expires: 7-31-2000