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1100 RAVINIA PLACE
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Richard F. Loritz

Richard E. Nawracaj

April 4, 1995

RECORDED 19355
APR 10 1995
FBI

Office of the Secretary
Interstate Commerce Commission
Twelfth & Constitution Ave., N.W.
Room 2303
Washington, D.C. 20423

RE: Lease of Locomotive Equipment
National Railway Equipment Company, Lessor
Kansas City Southern Railway Company, Lessee

Dear Sir/Madam:

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

This document is a lease of locomotive equipment and is a primary document dated March 1, 1995. The names and addresses of the parties to the documents are as follows:

Lessor

National Railway Equipment Company
An Illinois Corporation
14400 S. Robey Street
P.O. Box 2270
Dixmoor, IL 60426

Lessee

Kansas City Southern Railroad Company
114 West Eleventh Street
Kansas City, MO 64105



Interstate Commerce Commission
Washington, D.C. 20423-0001

4/10/95

Office Of The Secretary

Richard F. Loritz
Loritz & Associates
1100 Ravinia Place
Orland Park, Illinois 60462

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 4/10/95 at 12:05PM, and assigned recordation number(s) 19355.

Sincerely yours,

Vernon A. Williams
Secretary

Enclosure(s)

(0100589046)

\$ ~~21.00~~ 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



Interstate Commerce Commission
Washington, D.C. 20423-0001

4/10/95

Office Of The Secretary

Richard F. Loritz
Loritz & Associates
1100 Ravinia Place
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Signature

RECORDED
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LOCOMOTIVE LEASE AGREEMENT

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of the 1ST day of March, 1995, between NATIONAL RAILWAY EQUIPMENT COMPANY, an Illinois corporation, ("LESSOR"), and THE KANSAS CITY SOUTHERN RAILWAY COMPANY, a Missouri Corporation ("LESSEE").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:

1. **LEASE AND LEASED PROPERTY**

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

2. **TERM**

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

3. **RENTAL**

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

4. **TAXES**

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

5. **OWNERSHIP AND LESSOR'S INSPECTION**

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

6. **DELIVERY/RETURN**

Delivery of the locomotive(s) shall be accepted by Lessee at Lessee's plant in Silvis, IL. Locomotives #2006 and #2001 shall be accepted directly from the Illinois Central R.R. at St. Louis, MO. Lessee shall pay all transportation charges for the shipment of each locomotive from the point of acceptance. Upon expiration or other termination of this Lease, Lessee shall return such locomotive(s) to Lessor at Silvis, Illinois or such other location as th parties mutually agree in the same condition as when accepted, reasonable wear and tear excepted.

7. **LESSEE'S INSPECTION/WARRANTY DISCLAIMER**

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

8. **USE AND MAINTENANCE**

Lessee agrees that:

- A. Lessee shall be responsible and pay for all registrations, certificates, and permits, and all other similar requirements of governmental authorities, whether required to be obtained in the name of the Lessor or Lessee.
- B. The locomotive(s) shall be used and operated only by properly qualified, trained and registered personnel authorized by Lessee.
- C. Lessee shall comply with all federal, state, municipal and local laws, ordinances, and rules, and regulations relating to the lease, possession, insuring, use and operation of the locomotive(s).
- D. Lessee shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including without limitation the confiscation of the locomotive(s))

levied upon or arising out of Lessee's use, operation, maintenance or insuring of the locomotive(s) in violation of any law, ordinance, rule or regulation of any governmental authority.

- E. Lessee shall pay all costs, expenses and charges incurred in connection with the maintenance, lease, use and operation of the locomotive(s) except as outlined in Section 7.A. (ii).
- F. Lessee shall maintain the locomotive(s) in good mechanical condition and running order and in compliance with OEM specifications and safety rules and regulations now or hereafter promulgated by applicable governmental authorities.
- G. Lessee shall keep and maintain any and all books and records and make any filings required by any governmental authority with respect to the possession, lease, use or operation of the locomotive(s).

9. **INSURANCE/INDEMNIFICATION**

Lessee does hereby agree to defend, indemnify, protect and hold harmless Lessor and any assignees or successors of Lessor, and their respective employees and agents, from and against any and all losses, liabilities (including without limitation strict liability imposed by law), damages, injuries, claims, demands and expenses (including legal expenses) of whatsoever kind and nature, resulting from or arising out of the use, operation or possession of any Locomotive. This covenant of indemnity shall continue in full force and effect notwithstanding the termination of this Lease or the termination of the Lease of any Locomotive.

- A. Except as otherwise provided in Section 7, Lessee assumes and agrees to indemnify, protect and hold free and harmless Lessor, any assignee or successor of Lessor, and their respective employees or agents, irrespective of any responsibility for negligence, from any loss, damage, theft or destruction of any locomotive.
- B. In case of total destruction of any or all of the locomotives, Lessee shall pay Lessor, per locomotive, the amount stated as Replacement Value in Schedule "A". Daily lease rental shall continue on such locomotive(s) until such time that Lessee has issued payment to Lessor via bank check or bank wire transfer.

- C. This duty of indemnification shall not apply to any claim or cause of action arising solely out of Lessor's negligence, or out of Lessor's gross negligence or or intentional wrongful conduct.

10. **ASSIGNMENT AND LIENS**

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

11. **DEFAULT**

- A. Lessee shall be in default under this Lease upon the happening of any of the following events or conditions ("Event of Default"):
- i. Default in the payment within 30 days of when due of any installment of rental hereunder or of any other obligation for the payment of money now or hereafter owed by Lessee to Lessor.
 - ii. Default in the timely performance of any other liability, obligation, covenant or agreement hereunder of Lessee and Lessee's failure to correct the default within 30 days of written notice from Lessor of the default.

12. **REMEDIES UPON DEFAULT**

- A. Upon the occurrence of any Event of Default or at any time after an event of default which has not been waived by Lessor, Lessor, in its sole discretion, may take any one or more of the following actions with respect to the locomotive(s):
- i. Declare all unpaid amounts of rental to be immediately due and payable.
 - ii. Terminate the lease of any or all locomotives by written notice to Lessee.
 - iii. Whether or not the lease is terminated, take possession of any or all locomotive(s) wherever found, and for this purpose Lessor may at Lessor's option enter upon the premises of Lessee where such locomotive(s) are located and take immediate possession of and remove the same, all without liability to Lessee for damage to property or otherwise.

- iv. Require that Lessee shall, upon written demand by Lessor and at Lessee's expense, promptly make available to Lessor at Lessee's expense, any or all Equipment at a places designated by Lessor which is reasonably convenient to both parties.
 - v. Use, hold, sell, lease or otherwise dispose of any or all such locomotive(s) as Lessor in its sole discretion may decide, without affecting the obligations of Lessee as provided in this Lease.
 - vi. Sell or lease any or all locomotive(s), at public or private sales or proceedings, at such time or times and upon such terms as Lessor may determine, free and clear of any rights of Lessee and, if notice thereof is required by applicable law, any notice in writing of any such sale or Lease by Lessor to Lessee not less than five (5) days prior to the date thereof shall constitute reasonable notice to Lessee.
 - vii. Proceed by appropriate action either at law or in equity to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof or to rescind the lease hereunder of any or all locomotive(s).
 - viii. Exercise any and all rights and remedies available to Lessor under any applicable law. In addition, Lessee shall be charged with and shall pay to Lessor all reasonable costs and expenses of Lessor incurred as a result of each Event of Default by Lessee.
- B. None of the rights and remedies under or referred to in this paragraph 14 is intended to be exclusive, but each such right or remedy shall as to each locomotive be cumulative and may be availed of separately or concurrently with or in addition to any other right or remedy provided or referred to herein or otherwise available to Lessor at law or in equity. However, regardless of the number or types of remedies selected by Lessor, Lessor shall only be entitled to a single recovery of its damages. To the extent not inconsistent with the express terms and conditions of this Lease, Lessee shall be entitled to his rights under the Uniform Commercial Code as adopted in the State of Illinois. Any repossession or subsequent sale or lease by Lessor of any locomotive(s) shall not bar an action against lessee for a deficiency. To the extent permitted by applicable law, LESSEE WAIVES ANY AND ALL RIGHTS TO NOTICE AND TO A JUDICIAL HEARING WITH RESPECT TO THE REPOSSESSION OF EQUIPMENT BY LESSOR AS A RESULT OF ANY EVENT OF DEFAULT HEREUNDER BY LESSEE.

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

13. **RECORDATION OR LESSOR'S INTEREST**

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

14. **MISCELLANEOUS**

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

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

If to Lessee: The Kansas City Southern Railway Co.
114 West Eleventh Street
Kansas City, MO 64105
Attn: Chief Mechanical Officer

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

LESSOR:

LESSEE:

NATIONAL RAILWAY EQUIPMENT CO.

THE KANSAS CITY SOUTHERN Rwy.
COMPANY

BY: 

BY: 

NAME: Patrick C. Frangella

NAME: J.B. DEHNER

TITLE: Vice President

TITLE: EXEC. V.P. & CCO

ATTEST:

ATTEST:

BY: 

BY: _____

(Corporate Seal)

(Corporate Seal)

APPROVED AS TO FORM

