

ALVORD AND ALVORD
ATTORNEYS AT LAW
918 SIXTEENTH STREET, N.W.
SUITE 200
WASHINGTON, D.C.

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

20006-2973

(202) 393-2266
FAX (202) 393-2156

RECORDATION NO. 19684 FILED 1495

NOV 2 1995 12 15 PM

COMMISSIONER
OF COUNSEL
URBAN A. LESTER

November 2, 1995

0100839052
\$ 63.00

LICENSED CLERK

NOV 2 12 20 PM '95

Mr. Vernon A. Williams
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two (2) copies of Master Equipment Lease, dated October 16, 1995, a primary document as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The name and address of the party to the enclosed document are:

Lessor: Financial Corporation of Michigan
7255 E. Baldwin Road
Grand Blanc, Michigan 48439

Lessee: Tuscola and Saginaw Bay Railway Company, Inc.
Matthews Building, Suite 303
Owosso, Michigan 48867-0550

A description of the railroad equipment covered by the enclosed document is set forth on Exhibit A attached hereto.

Vertical handwritten notes on the left margin, including the word "Quota" at the top and "Certificates" written vertically below it.

Mr. Vernon A. Williams
November 2, 1995
Page 2

Also enclosed is a check in the amount of \$21.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Robert W. Alvord", with a long horizontal flourish extending to the right.

Robert W. Alvord

RWA/bg
Enclosures

EXHIBIT A

DESCRIPTION OF EQUIPMENT

Ninety-six (96), 100 ton, 1965-1967 built, 4000 cubic foot, covered hopper railcars bearing the reporting marks as follows:

SOU 96003	SOU 96004	SOU 96023	SOU 96024
SOU 96026	SOU 96032	SOU 96048	SOU 96068
SOU 96083	SOU 96103	SOU 96113	SOU 96135
SOU 96184	SOU 96162	SOU 96172	SOU 96176
SOU 96291	SOU 96188	SOU 96218	SOU 96309
SOU 96318	SOU 96300	SOU 96304	SOU 96355
SOU 96443	SOU 96319	SOU 96335	SOU 96424
SOU 96512	SOU 96382	SOU 96416	SOU 96498
SOU 96615	SOU 96483	SOU 96496	SOU 96599
SOU 96650	SOU 96520	SOU 96542	SOU 96647
SOU 96752	SOU 96637	SOU 96645	SOU 96724
SOU 96860	SOU 96667	SOU 96671	SOU 96857
SOU 96902	SOU 96758	SOU 96810	SOU 96878
SOU 96972	SOU 96870	SOU 96874	SOU 96967
SOU 97040	SOU 96952	SOU 96960	SOU 96994
SOU 97065	SOU 96973	SOU 96976	SOU 97063
SOU 97208	SOU 97045	SOU 97055	SOU 97194
SOU 97350	SOU 97092	SOU 97189	SOU 97227
SOU 97420	SOU 97212	SOU 97215	SOU 97346
SOU 97457	SOU 97273	SOU 97343	SOU 97375
SOU 97515	SOU 97353	SOU 97363	SOU 97455
SOU 97595	SOU 97427	SOU 97437	SOU 97499
	SOU 97465	SOU 97486	SOU 97590
	SOU 97563	SOU 97584	SOU 97669
	SOU 97635	SOU 97662	



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

11/2/95

Office Of The Secretary

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW., Ste. 200
Washington, DC., 20006-2973

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 11/2/95 at 12:15PM, and assigned recordation number(s). 19684 and 19685. and 19685-A.

Sincerely yours.

Vernon A. Williams
Secretary

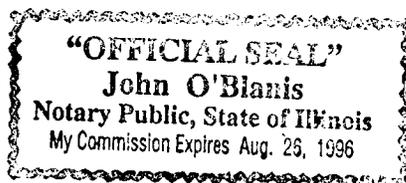
Enclosure(s)
(0100839052)

\$ 42.00 The amount indicated at the left has been received in payment of a fee in connection with 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 opportunity to examine your document.

Signature

I certify that this is a true and complete copy of the original document.

John O'Blanis November 1st, 1995
Notary Public



REGISTRATION NO 19684
NOV 2 1995 11 15 PM ORIGINAL
FCM
MASTER EQUIPMENT LEASE

1. **Equipment Leased.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor the equipment described on each Schedule "A" attached hereto (the equipment together with all attachments, replacement parts, substitutions, additions, repairs, accessories incorporated therein and/or affixed thereto and proceeds are collectively referred to herein as the "Equipment") for the term and for those rents indicated on the applicable Schedule "A".
2. **Acceptance and Delivery.** Lessee's execution and delivery to Lessor of a Certificate of Acceptance with respect to the Equipment described on Schedule "A" shall conclusively establish as between Lessor and Lessee that (i) the Equipment is acceptable to and accepted by Lessee, notwithstanding any defect in design, manufacture, condition or in any other respect and (ii) the Equipment is in good order and condition and conforms to the specifications applicable thereto. Lessee shall accept delivery of the Equipment at the location set forth on the applicable Schedule "A" and Lessee shall pay all costs incurred in transporting and delivering the Equipment to those premises including all rigging and drayage charges and shall hold Lessor harmless from any claims for payment of those costs and charges.
3. **Use, Nature and Location of Equipment.** Lessee warrants and agrees that the Equipment is to be used primarily for business or commercial purposes (other than agricultural). Lessee and Lessor agree that regardless of the affixation, the Equipment shall at all times remain personal property and not become part of any real estate.
4. **Repairs.** Lessor shall not be obligated to install, erect, test, adjust, service, repair or replace the Equipment. Lessee shall not incur for Lessor's account or liability any expense pertaining to the Equipment without Lessor's prior written consent. Lessee shall bear the expense of all necessary repairs, maintenance, additions and replacements required to be made to maintain the Equipment in good condition, normal wear and tear excepted.
5. **Indemnity.** Lessee shall indemnify and hold Lessor harmless from all injury to or loss of the Equipment from whatever cause other than loss or injury proximately caused by the negligence or willful misconduct of Lessor, but shall be credited with any net amounts received by Lessor from insurance procured by Lessee. Lessee shall indemnify and hold Lessor harmless from all loss, liability and expense from claims of any person or entity, including employees of Lessee, arising out of or alleged to relate to the ownership, operation, use, manufacture, condition, maintenance or transportation of the Equipment regardless of whether or not Lessor may be found to have been negligent in connection with such claim other than claims arising from Lessor's conveyance of title to the Equipment and claims arising from the negligence or willful misconduct of Lessor. Provided, however, the Lessee shall not be required to indemnify Lessor or hold Lessor harmless pursuant to this Section 5 for any taxes, whether or not the Lessee is required to indemnify or hold harmless therefor under Section 8 hereof, the Lessee's entire obligation with respect to taxes being fully set forth in such Section 8.
6. **Insurance.** All risk of loss, damage to or destruction of the Equipment shall at all times be borne solely by Lessee. Lessee shall provide and maintain at Lessee's sole expense uninterrupted insurance coverage against risk of loss or physical damage to the Equipment for the full insurable value thereof for the life of this Lease together with any other insurance in those amounts and against those risks as Lessor may specify. Lessee shall promptly deliver each insurance policy to Lessor with a standard endorsement showing Lessor to be an additional insured or with loss payable to Lessor and providing Lessor with not less than 30 days written notice of cancellation. Each policy shall be in form, terms, amounts and with insurance carriers satisfactory to Lessor. Lessor's acceptance of policies in lesser amounts or risks shall not be a waiver of Lessee's obligation hereunder. Lessee hereby assigns any monies which may become payable under any policy of insurance and irrevocably constitutes and appoints Lessor as Lessee's attorney in fact (i) to hold each original insurance policy, (ii) to make, settle and adjust any claim under each policy of insurance, (iii) to make claims for any monies which may become payable under any policy and other insurance on the Equipment including but not limited to returned or unearned premiums and (iv) to endorse Lessee's name to any check, draft or other instrument received in payment of any claims or returned or unearned premium under each policy and apply the funds to the payment of any indebtedness or rentals owing to Lessor, or maintain any policy in full force, or pay any premium in whole or in part relating thereto, then Lessor, without waiving or releasing any default or obligation by Lessee, may obtain, but shall be under no obligation to obtain, insurance and pay the premium thereof on behalf of Lessee. The full amount of any premium paid by Lessor shall be payable by Lessee upon demand as provided in Section 12 thereof, and failure to pay same shall constitute an event of default under the Lease.
7. **No Warranty.** Lessor, being neither the manufacturer of the Equipment nor a manufacturer's agent, MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE FITNESS, QUALITY, DESIGN, CONDITION, CAPACITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE EQUIPMENT OR OF THE MATERIAL OR WORKMANSHIP THEREOF, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" AND THAT ALL RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE COST AND EXPENSE. Lessee agrees that it has selected the Equipment based on its own judgment and disclaims any reliance upon any oral agreement, guaranty, promise, condition or representations made by Lessor related to the Equipment. Lessee further agrees, regardless of cause, not to assert any claim whatsoever against Lessor for loss of anticipatory profits or incidental or consequential damages. Lessee agrees to pay the rent, additional rent and other payments required hereunder without regard to the condition of the Equipment and to look only to persons other than Lessor such as manufacturers, vendors or carriers, should any of the Equipment be defective. So long as no event of default has occurred, Lessor agrees, to the extent that they are assignable, to assign to Lessee, without recourse to Lessor, any warranty received by Lessor. The manufacturer is not an agent of Lessor, and Lessee shall have no right to rely on any statement made by the manufacturer on behalf of Lessor. No modification of this Section 7 shall be binding unless in writing signed by Lessor.
8. **Taxes.** Lessee shall comply with all laws, ordinances and regulations relating to the ownership, possession, use or maintenance of the Equipment, and shall hold Lessor harmless from and against Lessee's and Lessee's agents' and contractors' actual or asserted violations of such laws, ordinances and regulations, and shall pay, indemnify and hold Lessor harmless from all taxes, assessments and other governmental charges (including penalties and interest, if any, and fees for titling or registration, if required) levied or asserted: (i) upon the interest of Lessee in the Equipment or upon the use or operation thereof or on the earnings of Lessee arising therefrom; and (ii) against Lessor on account of its acquisition or ownership of the Equipment or any part thereof, or use or operation thereof or the leasing thereof to Lessee, or the rent herein provided for or the earnings of Lessee arising therefrom, (all such fees, taxes, assessments, and governmental charges, and all penalties, additions to tax and interest imposed in connection therewith being hereinafter called "Taxes"); provided, however, that the foregoing indemnity shall not apply to (i) any income, franchise and capital taxes imposed on the Lessor that are on or measured by net income (including any minimum or alternative minimum income taxes and any income taxes on or measured by items of tax preference); (ii) taxes imposed on the Lessor resulting from (A) a voluntary or involuntary sale, assignment, transfer or other disposition by the Lessor of the Equipment or any unit thereof, or (B) a disposition in connection with a bankruptcy or similar proceeding involving the Lessor; (iii) taxes related to the Equipment in respect of any period after the expiration or early termination of the Lease; (iv) taxes on the Lessor which arise out of or are caused by the negligence or willful misconduct of the Lessor; (v) taxes which have been included in the cost of the Equipment; (vi) taxes imposed against a transferee of the Lessor to the extent of the excess of such taxes over the amount of taxes which would have been imposed had there not been such a transfer, and (vii) taxes resulting from the failure of Lessor timely or properly to claim available exemptions from taxation or properly or timely to issue completed and validly executed resale certificates or other exemption certificates applicable to the purchase, use or sale of the Equipment.

The Lessee shall be responsible for reporting the Equipment for ad valorem property tax purposes in each applicable state or locality and the Lessor shall not include the Equipment in any ad valorem property tax or other similar tax returns files by it in such states or localities.

All payments to be made by the Lessee pursuant to this Section 8 shall be made no later than the date on which the Lessor must pay such Taxes and shall be made directly to the Lessor except to the extent paid to a governmental agency or taxing authority. Any payment by the Lessee to a governmental agency in satisfaction of Taxes for which it is obligated to indemnify the Lessor under this Section 8 shall be given full credit against Lessee's obligation to indemnify the Lessor to the extent that such payment discharges the Lessor's legal obligation to pay such Taxes.

If any claim is made against the Lessor, by commencement of proceeding against the Lessor or otherwise, for any Taxes as to which the Lessee would have an indemnity obligation pursuant to this Section 8, the Lessor shall promptly notify the Lessee of such claim in writing. The Lessee may, at its expense, in good faith and by appropriate legal proceedings, contest or defend an asserted claim or liability for which it is indemnifying under this Section 8. Any contest or defense conducted pursuant to this Section 8 may be conducted by Lessee either on its own behalf or, if required by the applicable jurisdiction, in the Lessor's name on the Lessor's behalf.
9. **Title.** Title to all Equipment shall remain in Lessor exclusively. Lessee shall keep the Equipment free from any and all liens and claims, and shall not permit Lessor's title or rights to become encumbered or impaired other than with respect to claims arising under, by or through Lessor.
10. **Return of Equipment.** Upon expiration or termination of the Lease, unless Lessee shall have purchased the Equipment as provided in Schedule "A", Lessee at its expense shall return the Equipment to Lessor at such place on Lessee's rail line as Lessor shall instruct. Lessee shall pay rent at the rate set forth herein until all Equipment arrives at the place designated by Lessor.

11. **Inspection.** Lessee shall, whenever requested, advise Lessor of the location and condition of the Equipment. Lessee shall further provide Lessor immediate notice of any judicial process affecting the Equipment, and shall indemnify and hold Lessor harmless from any loss or damage caused thereby unless otherwise provided herein. Lessor may, for the purpose of inspection, at all reasonable times, enter upon any job, building or place where the Equipment is located.

12. **Additional Rent.** In the event that Lessee shall fail to perform any of its obligations under this Lease, Lessor may, at its option, perform the same for the account of Lessee without thereby waiving any default. Any amount paid or expense incurred by Lessor under this Section 12 (including reasonable attorneys' fees), together with interest at the rate of .75% per month, shall be payable by Lessee immediately upon demand as additional rent for the Equipment.

13. **Further Assurances.** Lessee shall execute and deliver to Lessor upon Lessor's request such instruments and assurances as Lessor deems necessary or advisable for the confirmation or perfection of the Lease and any of Lessor's rights hereunder.

14. **Default.** An event of default shall occur if, with respect to any Schedule "A": (i) Lessee fails to pay when due any invoiced installment of rent and Lessee's failure continues for a period in excess of 10 days; (ii) Lessee shall fail to perform or observe any material covenant, condition or agreement to be performed or observed by it hereunder other than payment of rent and that failure continues uncured for 15 days after written notice thereof to Lessee by Lessor; (iii) Lessee ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, files a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any law, files an answer admitting the material allegations of a petition filed against it in any such proceeding or if a proceeding filed against it is not dismissed within 60 days of filing, consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of all or any substantial part of its assets or properties, or if it or its shareholders shall take any action seeking dissolution or liquidation; or (iv) Lessee attempts to sell, encumber, relinquish right of possession of or sublet the Equipment or any portion of the Equipment.

15. **Remedies.** Upon occurrence of an event of default, Lessor, at its option, may: (i) declare all rent due and to become due hereunder under all Schedules "A" immediately due and payable; (ii) proceed by appropriate court action or actions or other proceedings either at law or equity to enforce performance by Lessee of any and all covenants of this Lease and to recover damages for the breach thereof; (iii) demand that Lessee deliver the Equipment forthwith to Lessor at Lessee's expense at any place that Lessor may designate; and (iv) enter into any premises of or under control of Lessee or any agent of Lessee where the Equipment may be and repossess all or any item thereof, disconnecting and separating the Equipment from any other property and using all force necessary or permitted by applicable law so to do. Upon occurrence of an event of default, Lessee expressly waives all further rights to possession of the Equipment and all claims for injuries suffered through or by any repossession.

Upon occurrence of an event of default and at any time thereafter, Lessor shall be entitled to recover within 10 days of Lessee's receipt of a bill from Lessor as liquidated damages for loss of the bargain, and not as a penalty, suffered by reason of an event of default, the sum of the following: (i) any unpaid rent that accrued on or before the occurrence of the event of default; (ii) an amount equal to the aggregate rent reserved hereunder for the unexpired term of the Lease and the then aggregate residual value of the Equipment as carried on the books of Lessor all discounted to present value by a factor of 6% per annum less (a) as to any portion of the Equipment which shall have been sold, the amount of money actually received by Lessor from the sale of the Equipment net of all expenses of such sale, and, (b) as to any portion of the Equipment which shall not have been sold, the fair market value thereof as of the date of determination of Lessee's liability, net of all expenses of the attempted sale or other disposition; (iii) an amount equal to the loss or diminution of anticipated tax benefits to Lessor as calculated by Lessor; and (iv) interest on the unpaid balance of Lessee's obligations hereunder from the date they become payable until fully paid at the rate of 12% per annum but in no event greater than the highest rate permitted by relevant law.

The provisions of this Section 15 shall be without prejudice to any rights given to Lessor by any statute to submit proofs for any amounts allowed thereby. Should any proceeding be instituted by or against Lessor for monies owing to Lessor hereunder and/or for possession of any or all of the Equipment or for any other relief, Lessee shall pay Lessor's costs and actual attorneys' fees.

16. **Non-Waiver.** Lessor's failure at any time to require strict performance by Lessee of any of the provisions hereof shall not waive or diminish Lessor's right thereafter to demand strict compliance therewith or with any other provision of the Lease. Waiver of any default shall not waive any other default or continuing default. No remedy of Lessor hereunder shall be exclusive of any other remedy herein or by law and each shall be cumulative and in addition to every other remedy.

17. **Assignments.** Neither this Lease nor Lessee's rights hereunder shall be assignable except with Lessor's written consent and the conditions hereof shall bind any permitted successors and assigns of Lessee. Lessor may assign the rents reserved herein or all or any of Lessor's other rights hereunder. On receiving notice of any assignment, Lessee shall make payment as directed.

18. **Chattel Paper.** The terms and conditions of this Equipment Lease are incorporated into each Schedule "A" by reference therein. Only one copy of each Schedule "A" is marked "Original" and only such copy shall constitute chattel paper for purposes of Section 9308 of the Uniform Commercial Code. All other copies of such Schedule "A" are marked "Duplicate."

19. **Obligations Absolute.** The obligation of Lessee to make timely payment of all rent and additional rent hereunder is absolute and unconditional and not subject to any claims of contra-indebtedness, abatement, setoff, recoupment, reduction or defense of any kind which Lessee may now or hereafter have or claim against Lessor or any assignee of Lessor.

20. **Consent to Michigan Law, Jurisdiction and Venue.** This Lease shall be deemed fully executed and performed in the state of Michigan and shall be governed by and construed in accordance with the laws thereof. In any action, proceeding, or appeal on any matter related to or arising out of this Lease, the Lessor, Lessee and any guarantor shall be subject to the personal jurisdiction of the state of Michigan, including any state or federal court, sitting therein, and all court rules thereof and shall accept venue in any federal or state court in Michigan.

21. **Miscellaneous.** Lessee shall not change or remove any insignia or lettering on the Equipment and shall conspicuously identify each item of the Equipment by suitable lettering to indicate Lessor's ownership. All notices relating hereto shall be sent certified mail, return receipt requested, to Lessor or Lessee at its respective address shown herein or at any later address known to the sender. If any part of this Lease is contrary to, prohibited by or deemed invalid under applicable laws or regulations, that provision shall be deemed omitted but shall not invalidate the remaining provisions of the Lease. Lessee waives all rights under all exemption laws. This Lease is irrevocable for the full term hereof and for the aggregate rental herein reserved, and the rent shall not abate by reason of termination of Lessee's right of possession and/or the taking of possession by Lessor or for any other reason. Any payment not made when due shall be assessed a monthly late charge calculated at the rate of 1% of the amount of the delinquent payment but in no event greater than the highest rate permitted by relevant law.

Dated: October 16, 1995

FINANCIAL CORPORATION OF MICHIGAN

By: _____

Its: Vice President

Address: 7255 E. Baldwin Road
Grand Blanc, Michigan 48439

"Lessor"

TUSCOLA and SAGINAW BAY RAILWAY COMPANY, INC.

By: _____

Its: Chief Executive Officer

Address: Matthews Building, Suite 303
Owosso, Michigan 48867-0550

"Lessee"

SCHEDULE A-1

This Schedule is appended to and made part of the Lease between Financial Corporation of Michigan, Lessor, and Tuscola and Saginaw Bay Railway Company, Inc., Lessee, dated October 16, 1995.

EQUIPMENT

QTY. DESCRIPTION
 96 4000 Cubic Feet Covered Hopper Cars Manufactured by Magor Car Corp. with the following serial numbers:

SOU96003	SOU96004	SOU96023	SOU96024
SOU96026	SOU96032	SOU96048	SOU96068
SOU96083	SOU96103	SOU96113	-----
SOU96135	SOU96162	SOU96172	SOU96176
SOU96184	SOU96188	SOU96218	-----
SOU96291	SOU96300	SOU96304	SOU96309
SOU96318	SOU96319	SOU96335	SOU96355
SOU96382	SOU96416	SOU96424	SOU96443
SOU96483	SOU96496	SOU96498	SOU96512
SOU96520	SOU96542	SOU96599	SOU96615
SOU96637	SOU96645	SOU96647	SOU96650
SOU96667	SOU96671	SOU96724	SOU96752
SOU96758	SOU96810	SOU96857	SOU96860
SOU96870	SOU96874	SOU96878	SOU96902
SOU96952	SOU96960	SOU96967	SOU96972
SOU96973	SOU96976	SOU96994	SOU97040
SOU97045	SOU97055	SOU97063	SOU97065
SOU97092	SOU97189	SOU97194	SOU97208
SOU97212	SOU97215	SOU97227	-----
SOU97273	SOU97343	SOU97346	SOU97350
SOU97353	SOU97363	-----	SOU97375
SOU97420	SOU97427	SOU97437	SOU97455
SOU97457	SOU97465	SOU97486	SOU97499
SOU97515	SOU97563	SOU97584	SOU97590
SOU97595	SOU97635	SOU97662	SOU97669

Total Equipment Cost: \$1,209,600.00

Rental Commencement Date: November 1, 1995

Rental Term: 60 Months

Periodic Rent: \$22,734.43, monthly in advance

First Rent Payment Due: On Rental Commencement Date

Partial Month Rent: \$757.81 Per Day

LESSOR
 Financial Corporation of Michigan
 7255 East Baldwin Road
 Grand Blanc, Michigan 48439

By: _____

Its: Vice President

LESSEE
 Tuscola and Saginaw Bay Railway
 Company, Inc.
 Matthews Building, Suite 303
 Owosso, Michigan 48867-0550

By: _____

Its: Chief Executive Officer

This Schedule is dated this 16th day of October, 1995