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February 27, 1996

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1996 AM

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

MAR 4 9 57 AM '96

RE: Lease of Locomotive Equipment
National Railway Equipment Company, Lessor
Wisconsin Southern R.R. Co., 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 December 15, 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

Wisconsin Southern Railroad Co.
A Wisconsin Corporation
5300 N. 33rd Street
Milwaukee, WI 53209

A description of the equipment covered by the document follows:

Unit No.	Type	General Description
2004	SD20	EMD 2000 H.P. Unit
2016	SD20	EMD 2000 H.P. Unit

A fee of $21.00 is enclosed. Please return the original after recordation to Richard F. Loritz, 1100 Ravinia Place, Orland Park, IL 60462.

A short summary of the document to appear in the index follows:

> A lease of locomotive equipment identified as two (2) locomotives, type SD20, EMD 2000 H.P. Unit, with National Railway Equipment Co., as Lessor, and Wisconsin Southern Railroad Co., as Lessee.

Also attached is an Affidavit executed by the attorney in fact for National Railway Equipment Co. and appropriately notarized declaring that the enclosed copy is identical to the original document which is also enclosed.

Very truly yours,

NATIONAL RAILWAY EQUIPMENT CO.
an Illinois Corporation

BY: Richard Loritz
RICHARD F. LORITZ

ITS: Attorney and Agent in Fact

RFL/sjg

Enclosures

nrec#227.96m

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

3/4/96

Richard F. Loritz
Loritz & Associates
1100 Ravinia Place
Orland Park, Illinois 60452

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 3/4/96 **at** 10:05AM **, and assigned recordation number(s).** 19951 and 19955.

Sincerely yours,

Vernon A. Williams

Vernon A. Williams
Secretary

Enclosure(s)

$ 42.00 **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 Janice M. Fort

AFFIDAVIT

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

The undersigned states that he has read the attached document and that the document attached is identical to the complete and original Lease Agreement.

This Affidavit is made pursuant to the procedures in Section 117.3(2)(b) relative to the recordation of documents with the Interstate Commerce Commission.

Richard Lowe
AFFIANT

Subscribed and Sworn to
before me this 27th day
of February, 1996.

Sarah J. Goodnight
NOTARY PUBLIC

OFFICIAL SEAL
SARAH J GOODNIGHT
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/21/98

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LOCOMOTIVE LEASE AGREEMENT

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of the 15th day of December, 1995, between NATIONAL RAILWAY EQUIPMENT COMPANY, an Illinois corporation, ("LESSOR"), and WISCONSIN SOUTHERN R.R. CO., a Wisconsin corporation("LESSEE").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:

1. LEASE AND LEASED PROPERTY

Lessee hereby leases from Lessor, the locomotive(s), ("Locomotive(s)"), 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

A. 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 Dixmoor, Illinois and/or Silvis, Illinois, subject to Lessee's purchase option provided for herein.

3. RENTAL

A. The rental payable shall be the sum identified in Schedule "A" payable in monthly installments in arrears. Lessee shall pay the first month of rental payment upon execution of the lease agreement. 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 twelve percent (12%) per annum.

C. All rentals shall be paid to Lessor at National Railway Equipment Company, 135 LaSalle, Dept 1473, Chicago, IL 60674, 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.

5. **OWNERSHIP AND LESSOR'S INSPECTION (CONTINUED)**

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 Lessor's plant in Dixmoor, Illinois and/or Silvis, Illinois. Except as set forth in Paragraph 11, upon expiration or other termination of this Lease, Lessee shall return such Locomotive(s) to Lessor at Dixmoor, Illinois and/or Silvis, Illinois in good order and condition, reasonable wear and tear excepted. Lessee shall pay or reimburse Lessor for any reasonable and ordinary expenses incurred by Lessor in returning the Locomotive(s) to good order and condition, reasonable wear and tear excepted, in delivering the Locomotive(s) to Lessor or effecting return of the Locomotive(s) from Lessee as provided herein.

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.

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), if such confiscation was the fault of the Lessee) levied upon or arising out of the 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).

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**

A. Public liability insurance providing coverage in an amount not less than three million ($3,000,000.00) dollars combined single limit per occurrence shall be provided by Lessee at Lessee's sole expense throughout the term of this Lease as to each Locomotive. The insurance policy or policies providing the foregoing coverage shall:

i. be written by an insurance company or companies satisfactory to Lessor and authorized to transact business in all of the states in which the Locomotive(s) will be used and operated.

ii. name Lessor and Lessee as insured parties.

9. **INSURANCE/INDEMNIFICATION (CONTINUED)**

iii. protect the interests of Lessor and Lessee, including Lessee's authorized operators, with respect to liability for injuries to or the death of third party persons and damage to or loss of use of property of third persons resulting from the ownership, maintenance, use or operation of the Locomotive(s).

iv. provide by endorsement or otherwise that the coverage shall be primary coverage as to Lessor.

v. provide that the insurance company or companies issuing such policy or policies shall notify Lessor of any cancellation thereof at least thirty (30) days prior thereto.

B. Lessee, at Lessee's sole expense, shall provide collision and comprehensive physical damage insurance on each Locomotive. The insurance policy or policies providing the foregoing coverages shall:

i. be written in standard form by an insurance company acceptable to Lessor.

ii. provide coverage in an amount not less than the casualty value of the Locomotive(s).

iii. provide for losses to be payable to Lessor and Lessee as their respective interests may appear.

C. Lessee shall furnish Lessor with a certificate(s) of insurance or other evidence of said insurance coverage.

D. Notwithstanding that Lessee shall provide certain insurance hereunder and irrespective of any responsibility for negligence, 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, condition, operation or ownership of any Locomotive; provided that the loss or liability indemnified against was the result of an act or omission of Lessee. 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.

E. 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, except if same is the fault of Lessor, any assignee, successor, employee or agent of Lessor.

F. If Lessee shall fail to obtain or maintain the insurance coverage required in this lease, or shall fail to furnish Lessor with evidence thereof, Lessor at its option, may obtain such required insurance coverage on behalf of Lessee and Lessee's expense.

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 without prior approval of Lessor, which approval shall not be reasonably withheld.

11. **PURCHASE OPTION**

Provided Lessee is not the in default under this Lease, Lessee is hereby given the right, at the expiration of the term of this Lease, to purchase Locomotive(s) described in Schedule "A" for the total sum of $XX,XXX.XX dollars per Locomotive. Lessee shall exercise such option to purchase by notifying Lessor in writing at least ninety (90) days prior to the expiration of the term of this Lease.

12. **FINANCIAL DATA**

Upon the written request of Lessor, Lessee shall furnish to any party designated by the Lessor as a current lender or potential lender, when reasonably available, copies of Lessee's financial statements and such other reports and statements concerning this Lease and the Locomotive(s) as Lessor reasonably may request. A Confidentiality Agreement will be requested by the Lessor prior releasing such financial information.

13. **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 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 covered by this lease.

ii. Default in the timely performance of any other material obligation, covenant or agreement hereunder of Lessee.

B. Before any Event of Default is deemed to have occurred, the party claiming default shall provide written notice to the other party specifying the event believed to constitute such Default. The party so noticed shall be given thirty (30) days following said notice to cure such default if default has occurred. If such default is cured within said thirty (30) days, no Event of Default shall be deemed to have occurred.

14. **REMEDIES UPON DEFAULT**

A. Upon the occurrence of any Event of Default or at any time thereafter, 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.

14. **REMEDIES UPON DEFAULT(continued)**

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 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. 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.

14. **REMEDIES UPON DEFAULT(continued)**

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.

15. **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 statements or other documents evidencing Lessor's interest in the Locomotive(s) without Lessee's signature.

16. **MISCELLANEOUS**

A. 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.

B. 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.

C. 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.

D. This Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors.

E. 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: Wisconsin Southern R.R. Co.
5300 N. 33rd St
Milwaukee, WI 53209

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

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO.

BY: _____

NAME: Patrick C. Frangella

TITLE: Vice President

ATTEST:

BY: _____

TITLE: Assistant Secretary

(Corporate Seal)

LESSEE:

WISCONSIN SOUTHERN RAILROAD

BY: _____

NAME: William E Gardner

TITLE: President

ATTEST:

BY: _____

TITLE: Exec VP/Sec.

(Corporate Seal)

SCHEDULE "A"

Attached to and incorporated into the Lease dated the 15th day of DECEMBER, 1995 by and between NATIONAL RAILWAY EQUIPMENT COMPANY (LESSOR) and WISCONSIN SOUTHERN RAILROAD CO. (LESSEE).

Type and General Description of Locomotive Unit, Marks and Numbers:

UNIT NO.	COMMENCEMENT DATE	TYPE	GENERAL DESCRIPTION
2004	01/03/96	SD20	EMD 2000 H.P. UNIT
2016	01/03/96	SD20	EMD 2000 H.P. UNIT

REPLACEMENT VALUE	TERM	LEASE RATE PER Locomotive MONTHLY	DAILY
See Schedule "B"	Four (4) Years	$X,XXX.XX	$XXX.XX

LESSOR: NATIONAL RAILWAY EQUIPMENT COMPANY

BY: _____

TITLE: Vice President

LESSEE: WISCONSIN SOUTHERN RAILROAD CO.

BY: _____

TITLE: President

SCHEDULE "B"

NATIONAL RAILWAY EQUIPMENT COMPANY

ORIGINAL FAIR MARKET VALUE	TERM	LEASE RATE PER Locomotive RATE
$XXXX,XXX.XX	48 MONTHS	XXX.XX PER DAY XXXXX.XX PER MONTH

PAYMENT #	DUE DATE OF PAYMENT	CASUALTY VALUE AMOUNT	CASUALTY VALUE % ORIGINAL FMV
1	01/03/96		98.00%
2	02/29/96		97.30%
3	03/31/96		95.94%
4	04/30/96		94.55%
5	05/31/96		93.17%
6	06/30/96		91.76%
7	07/31/96		90.36%
8	08/31/96		88.95%
9	09/30/96		87.51%
10	10/31/96		86.08%
11	11/30/96		84.62%
12	12/31/96		83.16%
13	01/31/97		81.70%
14	02/28/97		80.16%
15	03/31/97		78.67%
16	04/30/97		77.15%
17	05/31/97		75.64%
18	06/30/97		74.10%
19	07/31/97		72.57%
20	08/31/97		71.02%
21	09/30/97		69.45%
22	10/31/97		67.88%
23	11/30/97		66.28%
24	12/31/97		64.68%
25	01/31/98		63.08%
26	02/28/98		61.41%
27	03/31/98		59.78%
28	04/30/98		58.12%
29	05/31/98		56.47%
30	06/30/98		54.78%
31	07/31/98		53.10%
32	08/31/98		51.40%
33	09/30/98		49.68%
34	10/31/98		47.96%
35	11/30/98		46.22%
36	12/31/98		44.47%
37	01/31/99		42.71%
38	02/28/99		40.90%
39	03/31/99		39.11%
40	04/30/99		37.30%
41	05/31/99		35.48%
42	06/30/99		33.64%
43	07/31/99		31.80%
44	08/31/99		29.94%
45	09/30/99		28.06%
46	10/31/99		26.17%
47	11/30/99		24.27%
48	12/31/99		22.35%
49	01/03/2000		22.22%