

PIONEER RAILCORP

1831 NORTH SANTA FE AVENUE • CHILLICOTHE, ILLINOIS 61523 • (309) 274-5110

November 18, 1992

2-324A021

Mrs. Mildred Lee
Interstate Commerce Commission
12th. & Constitution Ave.
Room 2303
Washington, D.C. 20423

18003
RECORDATION NO. FILED 1425

NOV 19 1992 - 2 25 PM

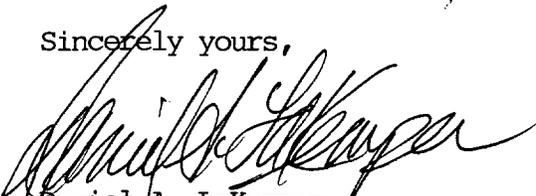
INTERSTATE COMMERCE COMMISSION

Dear Mrs. Lee:

Pursuant to our telephone conversation this afternoon, enclosed please find an Original and a copy (with a notarized certification attached to the copy) of an Equipment Lease between Pioneer Railroad Equipment Co., Ltd. and Fort Smith Railroad Co. ("FSR"). Pioneer Railroad Equipment Co., Ltd., whose address is 1831 N. Santa Fe Ave., Chillicothe, Illinois 61523, is the owner and Lessor of the equipment. FSR, a common carrier railroad, is the Lessee of the equipment. I herewith request that this Lease be recorded with the ICC, pursuant to 49 CFR 1177, et. seq. A check for \$16.00 is enclosed, as requested.

If you have any questions, please do not hesitate to call me (collect). Please return the file-stamped original to me, c/o Pioneer Railroad Equipment Co., Ltd., 1831 N. Santa Fe Ave., Chillicothe, Illinois 61523. Thank you.

Sincerely yours,



Daniel A. LaKemper,
General Counsel.

Nov 19 2 17 PM '92
MOTOR OPERATING UNIT

Enclosures.

PRC9/"ICCrecd"/11-18-92

OPERATING SUBSIDIARIES

ALABAMA RAILROAD
MONROEVILLE, ALABAMA

FORT SMITH RAILROAD
FORT SMITH, ARKANSAS

NATCHEZ TRACE RAILROAD
HOLLY SPRINGS, MISSISSIPPI

WABASH & GRAND RIVER RAILWAY
CHILLICOTHE, MISSOURI

WEST JERSEY RAILROAD
SALEM, NEW JERSEY

Interstate Commerce Commission

Washington, D.C. 20423

11/19/92

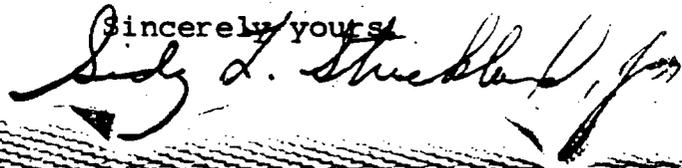
OFFICE OF THE SECRETARY

Daniel A. LAKemper
General Counsel
Pioneer Railcorp.
1831 North Santa FE Avenue
Chillicothe, Illinois 61523

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 11/19/92 at 2.25pm , and assigned re-
recording number(s). 18003

Sincerely yours,



Secretary

SIDNEY L. STRICKLAND, JR.

Enclosure(s)

SE-30
(7/79)

18003
RECORDATION CO. FILED 1425

NOV 19 1992 - 2 25 PM

PIONEER RAILROAD EQUIPMENT CO., LTD.
MASTER EQUIPMENT LEASE
INTERSTATE COMMERCE COMMISSION

THIS MASTER LEASE AGREEMENT ("Lease"), made and entered into this 1st. day of July, 1992, by and between PIONEER RAILROAD EQUIPMENT CO., LTD., an Iowa Corporation (hereinafter "LESSOR") and FORT SMITH RAILROAD CO., an Iowa Corporation (hereinafter "FSR");

WHEREAS LESSOR owns certain railroad equipment and desires to lease said Equipment; and

WHEREAS FSR operates a line of railroad from Fort Smith, Arkansas to Paris, Arkansas (hereinafter "Railroad"), and desires to lease said Equipment to provide motive power and perform various other functions in connection with said Railroad;

IT IS MUTUALLY AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

Section 1. LEASE.

(A) LESSOR hereby leases to FSR the equipment specified on Schedule 1, attached hereto, together with the parts, accessories, attachments, devices, and related tools, if any, now or hereafter affixed thereto (hereinafter "Equipment").

(B) LESSOR and FSR may from time to time add or delete pieces of equipment to this Lease by executing supplemental Schedules, which shall be dated and sequentially numbered (ie. "2", "3", etc.).

Section 2. EFFECTIVE DATE; TERM. The term of this Lease shall be for the terms set forth in Schedule 1, or any supplemental schedule signed by the parties in accordance with this Lease, commencing July 1, 1992, or on the date any Equipment is accepted by FSR pursuant to any supplemental schedule. This Lease shall expire June 30, 1993. The period from July 1, 1992 - June 30, 1993 shall be the "full term" of this Lease.

Section 3. RENTAL.

(A) The rental payable shall be the sum identified in Schedule 1, or any supplemental schedule signed by the parties in accordance with this Lease, payable in advance monthly installments. The first rental payment shall be due July 1, 1992, and thereafter on the first of each ensuing month, or on the date of acceptance of any additional Equipment. If any such acceptance date does not fall on the first day of the month, the first rental payment shall be prorated accordingly. FSR shall operate such Equipment in service on its Railroad.

(B) Payments past due by more than five (5) days shall be assessed a late fee of \$ 5.00 per day for each and every day said payment is late.

(C) All rentals shall be paid to LESSOR at Pioneer Railroad Equipment Co., Ltd., 1831 N. Santa Fe Ave., Chillicothe, Illinois 61523, or at such other address as LESSOR may designate in writing.

Section 4. SECURITY DEPOSIT.

(A) FSR shall pay the equivalent of one month's rental upon execution of this Lease, to be held as a security deposit. LESSOR shall have the right to demand from time to time that said security deposit be supplemented by an amount not to exceed the amount necessary to equal one monthly payment, in the event the monthly payment due hereunder increases due to the filing of a Supplemental Schedule as provided herein.

(B) If FSR returns the Equipment in accordance with Section 11, hereinbelow, and is not in default of any other provision of this Lease, LESSOR shall return the Security Deposit within thirty (30) days of the termination of this Lease. In the event FSR is in default of any provision of this Agreement including, but not limited to, Section 11, LESSOR may, at its option, at any time, and in addition to any other remedies which may be available to it, elect to apply all or part of the Security Deposit to any sum due to LESSOR from FSR.

Section 5. TAXES AND PUBLIC AUTHORITY. FSR shall pay all use, excise, ad valorem, personal property, stamp, documentary, and similar taxes on or relating to this Lease of the Equipment, 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 court costs, attorney fees and expenses) on account of FSR's failure to do the same. FSR shall also obtain, at its sole cost and expense, any permits, registrations, inspections, licenses, certificates, or other privileges or governmental authority necessary to initiate, continue, or terminate this Lease, or to possess, insure, use, operate, or maintain the Equipment, whether required to be obtained in the name of the LESSOR or FSR.

Section 6. OWNERSHIP AND LESSOR'S INSPECTION.

(A) The Equipment shall at all times remain the sole and exclusive property of the LESSOR, and FSR specifically disclaims any interest in or claim to the Equipment.

(B) Upon reasonable notice to FSR, LESSOR or its agents shall have free access to the Equipment at reasonable times for the purpose of inspections and tests.

(C) No accessions, additions, alterations or improvements to the Equipment of any nature, shall be made without LESSOR's consent, but if any are made, they immediately shall become part of the Equipment and shall become LESSOR's property.

(D) FSR shall keep the Equipment, at all times, free and clear from all claims, liens and encumbrances.

(E) This Lease is intended to be a true Lease of the Equipment and is not and in no way shall be construed as creating a sale of the Equipment.

Section 7. DELIVERY/RETURN. Delivery of the Equipment shall be accepted by FSR at Fort Smith, Arkansas. Unless otherwise provided herein (or in an applicable Schedule), upon expiration or other termination of this Lease, FSR shall return the Equipment to LESSOR at Fort Smith, Arkansas in substantially the same order and condition as that received, reasonable wear and tear excepted, at FSR's sole cost and expense. FSR shall pay or reimburse LESSOR in delivering Equipment to FSR, in returning Equipment to LESSOR, and for any reasonable and ordinary expenses incurred by LESSOR in restoring the Equipment to the same order and condition it was in when delivered to FSR (reasonable wear and tear excepted).

Section 8. FSR'S INSPECTION; WARRANTY DISCLAIMER.

(A) i. FSR hereby acknowledges that it will have the opportunity to inspect the Equipment prior to the shipping of the Equipment (and to reject it if it does not meet FSR's specifications), and to inspect it upon delivery, and that acceptance of delivery of the Equipment by FSR constitutes acknowledgement that it has been received in running condition and repair. Any defects shall be noted on the "Notice of Defects" form attached hereto as "Exhibit A" and returned to LESSOR within 48 hours of delivery.

ii. LESSOR shall not be responsible for any repairs or maintenance of the Equipment during the term of this Lease.

(B) Delivery to and acceptance of the Equipment by FSR shall constitute FSR's acknowledgment that the Equipment is of the manufacture, design and utility, quality and capacity selected by FSR, that FSR is satisfied that the same is suitable for FSR's purpose and that LESSOR IS NOT AND WAS NOT THE MANUFACTURER, OF THE EQUIPMENT, OR AN AGENT OR REPRESENTATIVE OF THE MANUFACTURER AND LESSOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE EQUIPMENT, and LESSOR hereby DISCLAIMS all such representations and warranties.

(C) If, upon delivery and inspection, FSR shall give LESSOR a "Notice of Defects", FSR shall have the option to accept the Equipment "AS IS, WHERE IS", with such defect(s), or to terminate the Lease as to that piece(s) of Equipment, and FSR shall not be entitled to any reimbursement from LESSOR for transportation charges incurred. Provided, however, that nothing contained herein shall prevent FSR from making a claim against any third party for damage to such Equipment in transit.

Section 9. USE AND MAINTENANCE. FSR agrees that:

(A) The Equipment shall be used and operated only by properly qualified and trained personnel authorized by FSR.

(B) FSR shall comply with all federal, state, municipal and local laws, ordinances, rules, regulations and orders relating to the Lease, possession, insuring, use, operation and maintenance of the Equipment.

(C) FSR shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including without limitation the confiscation of the Equipment) levied upon or arising out of the possession, use, operation, maintenance or insuring of the Equipment in violation of any law, ordinance, rule, regulation, or order of any governmental authority.

(D) FSR shall pay all costs, expenses and charges incurred in connection with the maintenance, lease, use and operation of the Equipment.

(E) FSR shall maintain the Equipment in running order and in compliance with Original Equipment Manufacturers' specifications and safety rules and regulations now or hereafter promulgated by the Federal Railroad Administration and other applicable governmental authorities.

(F) FSR 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, operation or maintenance of the Equipment.

Section 10. INSURANCE/INDEMNIFICATION.

(A) Public liability insurance providing coverage in an amount not less than two million dollars (\$ 2,000,000.00) combined single limit per occurrence shall be provided by FSR at FSR's sole expense throughout the term of the Lease as to the Equipment. The insurance policy or policies providing the foregoing coverage shall:

i. be written by an insurance company(ies) satisfactory to LESSOR and authorized to transact business in all of the states in which the Equipment will be used or operated.

ii. name LESSOR and FSR as insured parties.

iii. protect the interests of LESSOR and FSR, including FSR'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, condition, maintenance, use or operation of the Equipment.

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

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

(B) FSR, at FSR's sole expense, shall provide collision and comprehensive physical damage insurance on each piece of Equipment. The insurance policy(ies) providing the foregoing coverage shall:

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

ii. provide coverage in an amount not less than the replacement value of the Equipment.

iii. provide for losses to be payable to LESSOR and FSR as their respective interests may appear.

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

(D) Notwithstanding that FSR shall provide certain insurance hereunder and irrespective of any responsibility for negligence, FSR does hereby agree to defend, indemnify, protect and hold harmless LESSOR and any assignees or successors of LESSOR, and their respective officers, directors, partners, servants, principals, administrators, stockholders, parents, subsidiaries, employees and agents, from and against any and all losses, liabilities (including, without limitation, strict liability imposed by law), damages, injuries, claims, demands, actions, causes of action, penalties, fines, judgments, costs and expenses of whatsoever kind and nature (including court costs, attorney fees and expenses, pre-judgment and post-judgment interest), resulting from or arising out of the use, condition, operation, maintenance or ownership of the Equipment while in the possession of FSR. 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 piece of Equipment.

(E) FSR 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 piece of Equipment.

(F) If FSR 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 FSR, at FSR's expense.

Section 11. EXPIRATION AND TERMINATION.

(A) The lease of any particular piece of Equipment may be terminated by either party, by giving notice not less than one month (or one rental increment, if it be less according to the applicable Schedule) prior to such

termination. A Supplementary Schedule shall then be executed in accordance with Section 1.

(B) At the Expiration of the term of this Lease (June 30, 1993) FSR shall return all Equipment not previously returned, in accordance with Section 7 hereinabove.

(C) In the event FSR fails to return any one or more pieces of Equipment (or accessories, attachments, tools or devices accompanying the Equipment) upon expiration or other termination, FSR shall be liable for rental at twice the rate specified in the applicable Schedule, and shall be liable for all costs and expenses, including court costs, attorney fees, and expenses, in the event LESSOR elects to file suit to recover possession and/or rentals due on said Equipment.

(D) Expiration of this Agreement, or Termination for any reason, shall not affect any of the rights or obligations of the parties which may have accrued, or liabilities, accrued or otherwise, which may have arisen prior thereto.

Section 12. ASSIGNMENT. LESSOR shall have the unconditional right to assign this Lease, in whole or in part. FSR shall have no right to assign or sub-lease this Lease, or any Equipment included herein, or any interest or obligation herein, without the written consent of the LESSOR, and any attempt to so assign or sub-lease without the written consent of LESSOR shall be void.

Section 13. DEFAULT. FSR shall be in default under this Lease upon the happening of any of the following events or conditions ("Event of Default"):

(A) 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 FSR to LESSOR.

(B) Default in the timely performance of any other liability, obligation, covenant or agreement hereunder by FSR.

Section 14. REMEDIES UPON DEFAULT.

(A) Upon the occurrence of any Event of Default, and after first giving written Notice to FSR as provided herein giving FSR thirty (30) days to correct said deficiency or default, if FSR still has not remedied default, LESSOR, in its sole discretion, may take any one or more of the following actions with respect to the Equipment:

- i. Declare all unpaid amounts of rental to be immediately due and payable.
- ii. Terminate the Lease, in whole or in part.

iii. Require that FSR shall, upon written demand by LESSOR and at FSR's expense, promptly make available to LESSOR at FSR's expense, any or all Equipment at a place designated by LESSOR which is reasonably convenient to both parties.

iv. Sell or Lease any or all of the Equipment, 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 FSR and, if notice thereof is required by applicable law, any notice in writing of any such sale or lease by LESSOR to FSR not less than five (5) days prior to the date thereof shall constitute reasonable notice to FSR.

v. Proceed by appropriate action either at law or in equity to enforce performance by FSR of the applicable covenants of this Lease or to recover damages for the breach thereof, or any sums due hereunder from FSR, or to rescind the Lease hereunder of any of the Equipment.

vi. Exercise any and all rights and remedies available to LESSOR under any applicable law.

(B) In addition, FSR 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 FSR, including, but not limited to, court costs, attorney fees, and expenses.

(C) 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 piece of Equipment 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 Equipment shall not bar an action against FSR for a deficiency.

(D) 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 FSR within the meaning of the Federal Bankruptcy Act, then LESSOR may, at LESSOR's election, terminate this Lease in whole or in part.

Section 15. RECORDATION OF LESSOR'S INTEREST. FSR agrees to execute all recording documents requested by LESSOR to show LESSOR's interest in the Equipment. FSR further authorizes LESSOR to execute and file financial statements or other documents evidencing LESSOR's interest in the Equipment without FSR's signature.

Section 16. CHOICE OF LAW; CHOICE OF FORUM. This Lease shall be governed, construed and enforced in accordance with the laws of the State of Illinois. Litigation arising out of or connected with this Agreement may be instituted and maintained in the courts of the State of Illinois only, and the parties consent to jurisdiction over their person and over the subject matter of

any such litigation in those courts, and consent to service of process issued by such courts.

Section 17. WAIVER OF BREACH. No delay or omission by LESSOR in exercising any right hereunder shall operate as a waiver of such right or any other right. The waiver by LESSOR of the breach of any condition, covenant or agreement herein contained to be kept, observed and performed by FSR shall in no way impair the right of the LESSOR to avail itself of any subsequent breach thereof.

Section 18. AMENDMENT. No waiver, modification or amendment of this Lease shall be of any force or effect unless made in writing, signed by the parties, and specifying with particularity the nature and extent of such waiver, modification or amendment.

Section 19. ENTIRE AGREEMENT. This Lease and the Schedule(s) and Exhibit(s) attached hereto and made a part hereof constitute the entire understanding between the parties with regard to this transaction and supersede any prior negotiations, understandings or agreements, whether written or oral, with respect to the Equipment covered herein.

Section 20. SECTION HEADINGS. Section headings used in this Lease are inserted for convenience of reference only and shall not be deemed to be a part of this Lease for any purpose.

Section 21. SEVERABILITY. If fulfillment of any provision hereof or any transaction related hereto shall involve transcending the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity, as determined by a Court of competent jurisdiction; and if any clause or provision herein contained shall be finally determined by a Court of competent jurisdiction to be illegal, invalid or unenforceable, then such clause or provision shall be considered severable, as though not herein contained, and the remainder of this Agreement shall remain in full force and effect.

Section 22. BINDING EFFECT.

Subject to Section 12, above, this Lease shall be binding upon and inure to the benefit of LESSOR and FSR and their respective heirs, personal representatives, successors and assigns.

Section 23. NOTICE.

Any Notice required or permitted to be served under this Lease shall be in writing and served either personally or by certified mail, return receipt requested, to the parties at the following addresses:

If to LESSOR: Pioneer Railroad Equipment Co., Ltd.
1831 N. Santa Fe Ave.
Chillicothe, Illinois 61523

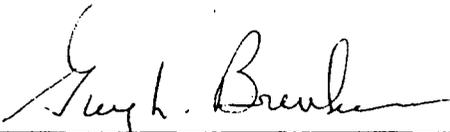
If to FSR: Fort Smith Railroad Co.
1831 N. Santa Fe Ave.
Chillicothe, Illinois 61523

or at such other address as the parties may from time to time give notice of.

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

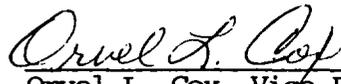
PIONEER RAILROAD EQUIPMENT CO., LTD.

FORT SMITH RAILROAD CO.

By: 
Guy L. Brenkman, President

By: 
B. Allen Brown II,
Secretary-Treasurer

Attested to by:


Orvel L. Cox, Vice President.

NOTICE OF DEFECTS

Date: _____, 19__.

Equipment: _____

Point of Inspection: _____

THE FOLLOWING DEFECTS WERE NOTED:

INSPECTION REPORT IS ATTACHED HERETO.

Submitted by: _____
Name:
Title:

"EXHIBIT A"

PROC6:"DefctNtc".

SCHEDULE 1.

- 1.) EMD GP-9 Locomotive #1791
- 2.) EMD GP-9 Locomotive #1902
- 3.) ALCO RS3-M Locomotive #7802
- 4.) 1984 Chevy Hi-Rail Crew Cab
SERIAL NUMBER: 1GCGC33M5ES167214
- 5.) 1978 Dodge Utility Pick-Up Truck
SERIAL NUMBER: D14BB5S135035
- 6.) 1976 International Hi-Rail Boom Truck
SERIAL NUMBER: D1222FGB21799
- 7.) Fairmont Dual Tamper
- 8.) Grain Vaculator
- 9.) Air Compressor & Hammer
- 10.) Radio Package with Base including
3 Locomotive Radio Units, 12 Hand Held
Units & Chargers
- 11.) Plain Paper FAX Machine
- 12.) 3 Desks, Conference Table, Chairs
Filing Cabinets, Phones
- 13.) Hand Tools, Track Jacks, Misc. Tools

MONTHLY CHARGE BY PIONEER RAILROAD EQUIPMENT CO., LTD:

\$ 5,000.00 EFFECTIVE JULY 1, 1992

