

NEW NUMBER
\$15

LAW OFFICES
ALVORD AND ALVORD

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

ROBERT W ALVORD*
CHARLES T KAPPLER
JOHN H DOYLE*
JAMES C MARTIN, JR *

* ALSO ADMITTED IN NEW YORK
* ALSO ADMITTED IN MARYLAND

200 WORLD CENTER BUILDING

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OF COUNSEL
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RECORDATION NO 16953

AUG 8 1990 2:05 PM

INTERSTATE COMMERCE COMMISSION

August 8, 1990

0-220A033

REC'D
AUG 8 1 49 PM '90

Mr. Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Mr. Strickland:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two (2) fully executed and acknowledged original copies of a Railroad Equipment Mortgage dated as of August 6, 1990, a primary document as defined in the Commission's Rules for the Recordation of Documents, 49 C.F.R. Section 1177.

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

Borrower: Escanaba & Lake Superior Railroad Company
One Larkin Plaza
Wells, Michigan 49894

Secured Party: The Bank of New York
One Wall Street
New York, New York 10286

A description of the railroad equipment covered by the enclosed document is set forth in Exhibits "A" and "B" attached hereto and made a part hereof.

Also enclosed is a check in the amount of \$15 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return a stamped copy of the enclosed document to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

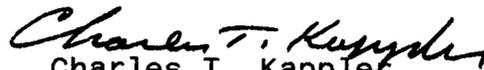
Charles T. Kappler

Mr. Sidney L. Strickland, Jr.
August 8, 1990
Page Two

A short summary of the enclosed primary document to appear in
the Commission's Index:

Railroad Equipment Mortgage dated as of August 6, 1990
between Escanaba & Lake Superior Railroad Company,
Borrower, and The Bank of New York, covering owned and
leased locomotives and freight cars.

Very truly yours,


Charles T. Kappler

CTK/bg
Enclosures

EXHIBIT "A"
to
Railroad Equipment Mortgage
Dated as of August 6, 1990

OWNED RAILCARS AND LOCOMOTIVES

* ELS 102	ELS 2972	ELS 5033 (Bulkhead Flat)
* ELS 201-02	ELS 3021	ELS 5033 (Non-Bulkhead Flat)
* ELS 204	ELS 3035	ELS 5034
* ELS 207	ELS 3037	ELS 5035 (Bulkhead Flat)
* ELS 209-14	ELS 3039	ELS 5035 (Non-Bulkhead Flat)
* ELS 401	ELS 3041	ELS 5037
* ELS 1200-01	ELS 3043	ELS 6000 ✓
* ELS 1220-24	ELS 3045	ELS 8007
ELS 2903-04	ELS 3047	ELS 8012
ELS 2909	ELS 3049	ELS 8014
ELS 2912	ELS 3051	ELS 8019
ELS 2914-15	ELS 3053	ELS 66161
ELS 2917 (Boxcar)	ELS 3055	ELS 66195
ELS 2917 (Non-Bulkhead Flat)	ELS 4073	ELS 366300-301
ELS 2919-20	ELS 4075	ICG 61704
ELS 2927 (Boxcar)	ELS 4077	ICG 61711
ELS 2927 (Non-Bulkhead Flat)	ELS 4079	ICG 61716
ELS 2930-31	ELS 4081	ICG 61726
ELS 2943	ELS 4083	ICG 61729
ELS 2948	ELS 4085	ICG 61732
ELS 2957	ELS 4087	ICG 61741
ELS 2959	ELS 5000-27	ICG 61749
ELS 2967-70	ELS 5031 (Non-Bulkhead Flat)	RI 1592904

* Locomotives

EXHIBIT "B"
to
Railroad Equipment Mortgage
Dated as of August 6, 1990

LEASED RAILCARS AND LOCOMOTIVES

* ELS 400	ELS 101634-749	MCSA 6004
* ELS 402	ELS 101751-755	MCSA 6009-10
ELS 5028-30	ELS 101757-815	MCSA 6026
ELS 5031 (Bulkhead Flat)	ELS 101817-847	MCSA 6029
ELS 6001-16	ELS 101849-864	MCSA 6034
ELS 6018-21	ELS 101866-899	MCSA 6036
ELS 6023-26	ELS 110248	MCSA 6040
ELS 6028-38	ICG 61718 (ELS 5032)	MCSA 6042
ELS 8900-01	ICG 61733-34	MCSA 6044-45
ELS 8907	ICG 61748	MCSA 6048-49
ELS 8913	ICG 979024	MCSA 6051-52
ELS 8915	KCS 110001	MCSA 6055
ELS 8917	KCS 110019	MCSA 6061-63
ELS 8921-22	KCS 110060	MCSA 6068
ELS 8924-25	KCS 110086	MCSA 7000-124
ELS 8931-32	KCS 110221	MKT 8900
ELS 8935	KCS 110647	MKT 8903
ELS 8937	KCS 110671	MKT 8906
ELS 8941	KCS 110680	MKT 8910
ELS 8944	KCS 110957	MKT 8920
ELS 8946	KCS 111155	MKT 8927
ELS 8950	KCS 111163	MKT 8934
ELS 8952	KCS 111180	MKT 8943
ELS 8957-59	KCS 111309	MKT 8947-48
ELS 8961-62	KCS 111694	MKT 8955
ELS 8964-65	KCS 111945	MKT 8971
ELS 8968	KCS 112089	MKT 8973
ELS 8970	KCS 112348	MKT 8976
ELS 8977	KCS 112356	MKT 8978-79
ELS 8983	KCS 112429	MKT 8989
ELS 8988	KCS 112470	MSDR 195147-188
ELS 8991-93	KWT 4501-30	MSDR 195190-243
ELS 8996-98	MCSA 6001	MSDR 195245-269
ELS 101600-632		MSDR 195271-296

* Locomotives

RECORDATION NO. 16953 FILED 1425

AUG 8 1990 2:05 PM

INTERSTATE COMMERCE COMMISSION

RAILROAD EQUIPMENT MORTGAGE

THIS RAILROAD EQUIPMENT MORTGAGE (the "Equipment Mortgage") is made and given as of August 6, 1990 by ESCANABA & LAKE SUPERIOR RAILROAD COMPANY, a Michigan corporation ("Borrower"), in favor of THE BANK OF NEW YORK (the "Bank").

Recitals

A. Borrower and the Bank are parties to that certain Credit Agreement dated as of August 6, 1990 (the "Credit Agreement"). All capitalized terms not defined in this Mortgage are used as they are defined in the Credit Agreement, which is incorporated herein by this reference. The Bank has agreed, as set forth in the Credit Agreement, to make loans to Borrower to be evidenced by the Term Loan Note, in the original principal amount of \$5,500,000, the Revolving Loan Note, in the original principal amount of \$1,000,000, and the Additional Revolving Loan Note, in the original principal amount of \$1,000,000 (collectively referred to as the "Loans").

B. To induce the Bank to make the Loans, Borrower is willing to grant to the Bank a security interest in the Collateral (as hereinafter defined).

Agreement

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower hereby agrees with the Bank as follows:

ARTICLE I

THE COLLATERAL

1.01 Grant of Security Interest. To secure the prompt payment and full performance of all Obligations of Borrower to the Bank under the Credit Agreement and the other Loan Documents to which Borrower is a party, whether for principal, interest, fees, expenses or otherwise, Borrower hereby grants to the Bank a security interest in and chattel mortgage on all of Borrower's right, title and interest in and to the following (the "Collateral"):

(a) Equipment. All of Borrower's now owned and hereafter acquired railroad cars, locomotives and work equipment, together with all accessories, equipment, parts, appurtenances, additions, improvements, accessions, accumulations, substitutions, renewals or replacements of any of the foregoing, together with all the rents, issues, income, proceeds and avails therefrom (collectively, the "Equipment");

(b) Leases. All of Borrower's leases (the "Leases"), whether now or hereafter existing, of railroad cars and locomotives and all additions, improvements, substitutions, renewals or replacements to such railroad cars and locomotives (collectively, the "Leased Equipment") between Borrower as lessee and other lessors (the "Lessors"), including, without limitation, (i) all claims for damages arising out of the breach of any Lease, (ii) the right, if any, to terminate any Lease, to perform thereunder and to compel performance of the terms thereof, (iii) the right to take possession of the Leased Equipment, subject to the rights of the Lessors, (iv) the right to make all waivers and agreements and to enter into any amendments relating to any Lease or any provision thereof, (v) the right to take such action upon the occurrence of an event of default under any Lease, including, without limitation, the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by any Lease or by law, and (vi) all other rights, claims, causes of action, if any, that Borrower may have against any Lessor;

(c) Books and Records. All of Borrower's books and records relating to any of the foregoing Collateral;

(d) Accessions. All accessions and additions to, substitutions for, and replacements and products of any of the foregoing Collateral (collectively, "Accessions"); and

(e) Proceeds. All proceeds from the sale, loss or other disposition of any of the foregoing Collateral, including, without limitation, any and all (i) proceeds of any insurance, indemnity, warranty or guaranty payable to Borrower from time to time with respect to any of the Collateral, (ii) payments (in any form whatsoever) made or due and payable to Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any Person acting under color of governmental authority) and (iii) other amounts from time to time paid or payable to Borrower under or in connection with any of the Collateral (collectively, the "Proceeds").

1.02 Representations and Warranties of Borrower.
Borrower represents and warrants to the Bank that:

(a) as of the date hereof, all of the Equipment consisting of railcars and locomotives owned by Borrower is identified by serial, running or other identifying number as set forth on Exhibit "A" attached hereto and by this reference incorporated herein;

(b) all of the Leased Equipment is identified by serial, running or other identifying number as set forth on Exhibit "B" attached hereto and by this reference incorporated herein;

(c) except as otherwise permitted in the Credit Agreement, Borrower is the sole owner of all of the Equipment, there are no encumbrances or liens of any kind or character against any of the Equipment or any Lease and Borrower has good right and lawful authority to assign, pledge, mortgage, and grant a security interest in the Leases and the Equipment;

(d) the security interest granted hereunder will not conflict with, constitute an event of default under, or result in a breach of or a violation of the provisions of any lease agreement to which Borrower is a party, or by which Borrower's property is bound;

(e) except as otherwise permitted in the Credit Agreement, Borrower has not assigned, pledged or mortgaged the whole or any part of any Collateral;

(f) Borrower is not, as of the date hereof, in default under any of the provisions of any of the Leases;

(g) no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for (i) Borrower to grant the security interest granted hereunder or to execute, deliver or perform this Agreement, or (ii) the Bank to perfect the security interest created hereunder or to exercise any right or remedy hereunder, except for the filings referred to in 49 U.S.C. Section 11303; and

(h) the security interest created hereunder in the Collateral, is a valid security interest in such Collateral in favor of the Bank, prior to all other liens, claims and rights of others.

1.03 Liens. Borrower shall warrant and defend the right, title and interest of the Bank in and to the Collateral against the claims and demands of all Persons whatsoever and shall defend the Collateral against and take such action as may be necessary to remove any Lien on the Collateral other than Permitted Liens.

1.04 Disposition of Assets. Without the Bank's prior written consent, Borrower shall not grant a security interest in, sell, lease, or otherwise dispose of any of the Collateral or any interest therein, except as permitted under the Credit Agreement.

1.05 Maintenance and Repair. Borrower, at its own cost and expense, shall maintain and keep all the Equipment and the Leased Equipment in good order and repair in accordance with industry standards and with the Interchange Rules of the Association of American Railroads and in full compliance with any applicable law, rules, regulations or standards that may be promulgated by the Department of Transportation, Federal Railway Administration, the Interstate Commerce Commission ("ICC") or any other applicable regulatory body or any successor agency or party thereto.

1.06 Inspections. The Bank shall have the right to inspect the Collateral and Borrower's records with respect to the Collateral at such reasonable times as the Bank may request.

1.07 Use of Equipment. Borrower shall not remove, nor permit the removal of: (a) any locomotive, whether owned or leased, from the United States unless (i) the Bank has received written notice of such removal not less than 90 days before it occurs; (ii) the Bank consents in writing to such removal; and (iii) all filings and other actions necessary to maintain the perfection of the Bank's security interest in any such locomotive after such removal shall have been completed; or (b) any railroad cars, whether owned or leased, from the United States unless: (i) all filings and other actions necessary to maintain the perfection of the Bank's security interest in such railroad cars after such removal shall have been completed; and (ii) if, upon such renewal, more than two percent of all railroad cars owned or leased by Borrower will be outside the United States, the Bank has received written notice of such removal not less than 90 days before it occurs and has consented to such removal.

1.08 Marking of Equipment.

(a) Borrower shall keep and maintain, or cause to be kept and maintained at all times plainly, distinctly, permanently and conspicuously marked on each item of Equipment and Leased Equipment in letters not less than seven-sixteenths of an inch in height:

"OWNERSHIP SUBJECT TO CHATTEL MORTGAGE AND
SECURITY AGREEMENT AS SET FORTH IN A RAILROAD
EQUIPMENT MORTGAGE FILED WITH THE INTERSTATE
COMMERCE COMMISSION"

or other appropriate words designated by the Bank with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the security interests of the Bank in the Equipment, the Leases

and its rights hereunder. Borrower shall place such markings promptly on all Equipment and Leased Equipment presently located in Wells, Michigan, and for all other Equipment and Leased Equipment at such time as the Equipment and Leased Equipment returns to Wells, Michigan in the normal course of business.

(b) Borrower shall not place any item of Equipment or Leased Equipment in operation or exercise any control or dominion over any item of Equipment or Leased Equipment unless and until such markings have been made thereon and will replace promptly any such markings that may be removed, defaced or destroyed. Borrower will cause the Equipment and the Leased Equipment to be kept numbered with the respective serial, running and other identifying numbers set forth in Exhibit "A" or Exhibit "B".

(c) Borrower shall not (i) change or authorize to be changed such serial, running or other identifying numbers or (ii) place any item of Equipment or Leased Equipment in service or otherwise exercise any control or dominion over any item of Equipment or Leased Equipment if the serial, running or other identifying number of such item of Equipment or Leased Equipment is not contained in Exhibit "A" or Exhibit "B", unless and until an amendment to this Equipment Mortgage shall have been filed and recorded by Borrower with the ICC, and Borrower shall have furnished to the Bank a legal opinion to the effect that such amendment has been so filed and recorded, such filing and recordation will protect the Bank's security interest and chattel mortgage in the Equipment and the Leases, and no other filing or recording with or to any other federal, state or local government or agency thereof is necessary to protect the security interest of the Bank in the Equipment and the Leases in the United States. If Borrower fails to take any action specified in the immediately preceding sentence, then Borrower hereby authorizes the Bank to modify this Equipment Mortgage by amending Exhibit "A" or Exhibit "B" as applicable, to reflect such changes or additions to the serial, running or other identifying numbers contained therein and to record the same with the ICC.

1.09 Destruction of Equipment and Leased Equipment. Borrower shall bear the responsibility for and risk of, and shall not be released from the Obligations in the event of, any damage to or the destruction or loss of any or all of the Equipment or any or all of the Leased Equipment.

1.10 Borrower's Agreements with Respect to the Leases. To protect the grant of the security interest to the Bank in the Leases, Borrower hereby agrees as follows:

(a) Borrower shall faithfully abide by, perform and discharge each and every material obligation, covenant, condition, duty and agreement that the Leases provide are to be performed by Borrower;

(b) without the prior written consent of the Bank, Borrower shall not amend, modify or otherwise change in any material respect or terminate any of the Leases;

(c) at Borrower's sole cost and expense, Borrower shall appear in and defend any action or proceedings arising under, growing out of or in any manner connected with the obligations, covenants, conditions, charters, agreements or liabilities of Borrower under any and all of the Leases; and

(d) without the prior written consent of the Bank, Borrower shall not commence or compromise any action, suit, proceeding or case or file any application or make any motion affecting any of the Leases in any bankruptcy proceeding other than a proceeding in which Borrower is the debtor.

ARTICLE II

DEFAULTS

2.01 Events of Default. The occurrence of any of the following events shall constitute an Event of Default hereunder:

(a) an Event of Default (as defined in the Credit Agreement); and

(b) the breach by Borrower of any covenant or obligation of Borrower under this Equipment Mortgage.

ARTICLE III

REMEDIES

3.01 Remedies. Upon the occurrence and during the continuance of any Event of Default, the Bank may do any one or more of the following acts (but shall be under no obligation to do so) regarding the Collateral, or any portion thereof:

(a) perform or discharge any obligation or duty of Borrower under any of the Leases to such extent as the Bank may deem necessary or advisable to protect the security provided hereunder;

(b) exercise all the rights and remedies in foreclosure and otherwise granted to secured parties under the provisions of applicable laws;

(c) institute legal proceedings for the specific performance of any covenant or agreement herein undertaken by Borrower or for aid in the execution of any power or remedy herein granted;

(d) institute legal proceedings to foreclose upon and against the security interest in and the chattel mortgage on the Equipment and the security interest in the Leases granted in and by this Equipment Mortgage, to recover judgment for all amounts then due and owing as Obligations, and to collect the same out of any sale of the Collateral;

(e) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any Collateral;

(f) demand, collect, and retain all hire, earnings and other sums due and to become due to Borrower in respect of the Collateral from any party whomsoever, accounting only for the net earnings arising from such use, if any, after charging against any receipts from the use of the same and from any subsequent sale thereof all costs and expenses of and damages or losses by reason of, such use or sale;

(g) enter upon Borrower's premises or right-of-way where the Collateral is located (or is believed to be located), without any obligation to pay rent to Borrower, or any other place or places where the Collateral is believed to be located and kept, and prevent Borrower or any other Person, to the extent that such action does not cause Borrower to fail to comply with any applicable ICC rules or regulations or any applicable rules or regulations of, or agreements with, the State of Michigan, the State of Wisconsin or any agency of either such State, and subject to rights of Lessors under Leases, from using the Collateral or remove the Collateral therefrom to the premises of the Bank or any agent of the Bank, for such time as the Bank may desire, in order to effectively collect or liquidate the Collateral;

(h) sell or dispose of all or any part of the Collateral, without notice except as specified below, free from any and all claims of Borrower or of any other party claiming by, through, or under Borrower, at law, in equity, or otherwise, subject to rights of Lessors under Leases, in one or more parcels at a public or private

sale, at any of the Bank's offices or elsewhere, for cash, on credit or for future delivery, at such time or times, and upon such other terms as the Bank may deem commercially reasonable. The Bank shall give Borrower at least five days' prior notice of the time and place of any public sale or other disposition of such Collateral or of the day on or after which any private sale or any other intended disposition is to be made, and if such notice is sent to Borrower as provided in Section 9.02 of the Credit Agreement, it shall constitute reasonable notice to Borrower. The Bank shall not be obligated to conduct any sale of Collateral regardless of notice of sale having been given. Further, the Bank may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned; or

(i) assign its rights and interests in any and all of the Leases, without Borrower's consent, to any successor or assignee of the Bank or to any other third party.

3.02 Proceeds of Sale. All cash proceeds received by the Bank in respect of any sale of, collection from or other realization upon all or any part of the Collateral may, in the discretion of the Bank, be applied in whole or in part by the Bank against, all or any part of the Obligations. Any surplus of such cash or cash proceeds held by the Bank and remaining after payment in full of all the Obligations shall be paid over to Borrower or to whomsoever may be lawfully entitled to receive such surplus.

3.03 Assembly of Equipment. Upon the occurrence of an Event of Default, the Bank may designate some premises for the delivery of the Equipment and the Leased Equipment to the Bank, which premises may include premises owned, leased or under the control of Borrower, without any obligation to pay rent to Borrower, and Borrower shall, at its own expense, arrange for such Equipment and Leased Equipment to be delivered to the Bank at such premises. This agreement to deliver the Equipment and the Leased Equipment as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court, the Bank shall be entitled to a decree against Borrower requiring specific performance hereof. Borrower further agrees to store such Equipment and such Leased Equipment, at Borrower's expense, pending the Bank's disposition thereof for a period not in excess of six months. Borrower hereby expressly waives any and all claims against the Bank or its agents for damages of whatever nature in connection with any lawful retaking of any item of Equipment or Leased Equipment pursuant to the terms hereof.

3.04 Waiver by Borrower. To the extent permitted by law, Borrower covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof before any sale or sales thereof to be made pursuant to any provision herein contained, or pursuant to the decree, judgment or order of any court; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of Borrower acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Equipment Mortgage, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Bank, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted. Borrower waives any and all right to have the property and estates comprising the Collateral marshalled upon any foreclosure of the lien hereof and the Collateral may be sold as an entirety or in parcels, at the same or different times, in such order as the Bank may elect.

ARTICLE IV

GENERAL PROVISIONS

4.01 Rights Cumulative. Each and every power and remedy hereby specifically given to the Bank shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time simultaneously and as often and in such order as may be deemed expedient by the Bank. All such powers and remedies shall be cumulative and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Bank in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence granted to Borrower shall not otherwise alter or affect the Bank's rights or the Obligations. The

Bank's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Obligations or the Bank's rights hereunder with respect to any subsequent payments or default therein.

4.02 Waiver. Except as otherwise provided in this Equipment Mortgage, Borrower, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of the Collateral or to sell or lease the Equipment or to transfer or assign the Leases, and any other requirements as to the time, place and terms of the sale, lease, transfer or assignment thereof, any other requirements with respect to the enforcement of the Bank's rights under this Equipment Mortgage and any and all rights of redemption.

4.03 Payments Set Aside. If the Bank receives any payment on or proceeds of Collateral for the Obligations that is subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any party under any bankruptcy law, or other state or federal law, including any equitable doctrine, then, to the extent of such payment or proceeds, the Obligations, or part thereof, intended to be satisfied shall be revived and continue in full force and effect as if the Bank had not received such payment or proceeds.

4.04 Limitation on the Bank's Duty in Respect of Collateral. The Bank shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of the Bank other than to use reasonable care in the safe custody thereof, and the Bank shall have no duty whatsoever as to any income thereon or to preserve any rights against prior parties or any other rights pertaining thereto.

4.05 Continuing Security Interest; Termination. This Equipment Mortgage creates a continuing security interest in the Collateral and shall (a) remain in full force and effect until payment in full of the Obligations and the termination of the Credit Agreement, (b) be binding upon Borrower, its successors and assigns, and (c) inure to the benefit of the Bank and its successors, transferees and assigns. Upon the payment in full of the Obligations and the termination of the Credit Agreement, the security interest granted hereby shall terminate. Upon any such termination, the Bank shall, at Borrower's expense, execute and deliver to Borrower such documents as Borrower shall reasonably request to evidence such termination.

4.06 Indemnification. Borrower shall hold the Bank harmless from, and indemnify the Bank against, any and all damages, losses and liabilities suffered in connection with any claim by any Person other than Borrower arising out of or connected with this Agreement, including, without limitation,

claims related to the Bank's enforcement of this Agreement; provided, however, that such indemnity shall not be applicable to any loss suffered by the Bank to the extent such loss is determined by a final judgment not subject to further review on appeal to be the result of acts or omissions on the part of the Bank that constitute bad faith, gross negligence or willful misconduct.

4.07 Section Headings, Effect and Modification of Agreement. All section headings are inserted for convenience only and shall not affect any construction or interpretation of this Equipment Mortgage.

4.08 Amendments and Waivers. No amendment or waiver of any provision of this Agreement nor consent to any departure by Borrower therefrom shall be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose given.

4.09 Notices. All notices hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to the respective addresses set forth in the Credit Agreement in the manner set forth in the Credit Agreement. Borrower shall cause a copy of every notice or communication received from or on behalf of any of the other parties to any of the Leases to be promptly delivered to the Bank at its address set forth in the Credit Agreement, including, without limitation, the filing of any bankruptcy petition by or against, or the institution of any insolvency or reorganization proceeding involving, any such party.

4.10 Law Governing. This Equipment Mortgage and all rights and obligations hereunder shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of New York; provided, however, that the Bank shall be entitled to all rights conferred by the filing, recording or deposit hereof in the appropriate office(s) pursuant to 49 U.S.C. Section 11303 or in such other offices as may be appropriate in the jurisdiction in which the Equipment and Leased Equipment is operated.

4.11 Counterparts. This Equipment Mortgage may be executed in several counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

4.12 Successors and Assigns. This Equipment Mortgage shall be binding upon Borrower and inure to the benefit of the Bank, and its successors and assigns. Borrower may not assign or transfer its rights or delegate its obligations hereunder without the prior written consent of the Bank.

4.13 Severability. The provisions of this Equipment Mortgage are severable and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Equipment Mortgage in any jurisdiction.

4.14 Further Assurances. Borrower shall, from time to time, do and perform any other act or acts and shall, execute, acknowledge, and deliver, and file, register, and record (and shall re-file, re-register and re-record whenever required) any further instrument, including any extensions and renewals thereof, required by law or requested by the Bank in order to confirm or further assure the interests of the Bank hereunder.

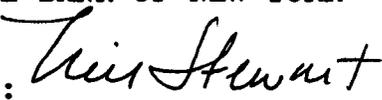
IN WITNESS WHEREOF, each party hereto has duly executed and delivered this Equipment Mortgage as of the day and year first above written.

ESCANABA & LAKE SUPERIOR RAILROAD
COMPANY, a Michigan corporation

By: 

President

THE BANK OF NEW YORK

By: 

Vice President

EXHIBIT "A"
to
Railroad Equipment Mortgage
Dated as of August 6, 1990

OWNED RAILCARS AND LOCOMOTIVES

* ELS 102	ELS 2972	ELS 5033 (Bulkhead Flat)
* ELS 201-02	ELS 3021	ELS 5033 (Non-Bulkhead Flat)
* ELS 204	ELS 3035	ELS 5034
* ELS 207	ELS 3037	ELS 5035 (Bulkhead Flat)
* ELS 209-14	ELS 3039	ELS 5035 (Non-Bulkhead Flat)
* ELS 401	ELS 3041	ELS 5037
* ELS 1200-01	ELS 3043	ELS 6000
* ELS 1220-24	ELS 3045	ELS 8007
ELS 2903-04	ELS 3047	ELS 8012
ELS 2909	ELS 3049	ELS 8014
ELS 2912	ELS 3051	ELS 8019
ELS 2914-15	ELS 3053	ELS 66161
ELS 2917 (Boxcar)	ELS 3055	ELS 66195
ELS 2917 (Non-Bulkhead Flat)	ELS 4073	ELS 366300-301
ELS 2919-20	ELS 4075	ICG 61704
ELS 2927 (Boxcar)	ELS 4077	ICG 61711
ELS 2927 (Non-Bulkhead Flat)	ELS 4079	ICG 61716
ELS 2930-31	ELS 4081	ICG 61726
ELS 2943	ELS 4083	ICG 61729
ELS 2948	ELS 4085	ICG 61732
ELS 2957	ELS 4087	ICG 61741
ELS 2959	ELS 5000-27	ICG 61749
ELS 2967-70	ELS 5031 (Non-Bulkhead Flat)	RI 1592904

* Locomotives

EXHIBIT "B"
to
Railroad Equipment Mortgage
Dated as of August 6, 1990

LEASED RAILCARS AND LOCOMOTIVES

* ELS 400	ELS 101634-749	MCSA 6004
* ELS 402	ELS 101751-755	MCSA 6009-10
ELS 5028-30	ELS 101757-815	MCSA 6026
ELS 5031 (Bulkhead Flat)	ELS 101817-847	MCSA 6029
ELS 6001-16	ELS 101849-864	MCSA 6034
ELS 6018-21	ELS 101866-899	MCSA 6036
ELS 6023-26	ELS 110248	MCSA 6040
ELS 6028-38	ICG 61718 (ELS 5032)	MCSA 6042
ELS 8900-01	ICG 61733-34	MCSA 6044-45
ELS 8907	ICG 61748	MCSA 6048-49
ELS 8913	ICG 979024	MCSA 6051-52
ELS 8915	KCS 110001	MCSA 6055
ELS 8917	KCS 110019	MCSA 6061-63
ELS 8921-22	KCS 110060	MCSA 6068
ELS 8924-25	KCS 110086	MCSA 7000-124
ELS 8931-32	KCS 110221	MKT 8900
ELS 8935	KCS 110647	MKT 8903
ELS 8937	KCS 110671	MKT 8906
ELS 8941	KCS 110680	MKT 8910
ELS 8944	KCS 110957	MKT 8920
ELS 8946	KCS 111155	MKT 8927
ELS 8950	KCS 111163	MKT 8934
ELS 8952	KCS 111180	MKT 8943
ELS 8957-59	KCS 111309	MKT 8947-48
ELS 8961-62	KCS 111694	MKT 8955
ELS 8964-65	KCS 111945	MKT 8971
ELS 8968	KCS 112089	MKT 8973
ELS 8970	KCS 112348	MKT 8976
ELS 8977	KCS 112356	MKT 8978-79
ELS 8983	KCS 112429	MKT 8989
ELS 8988	KCS 112470	MSDR 195147-188
ELS 8991-93	KWT 4501-30	MSDR 195190-243
ELS 8996-98	MCSA 6001	MSDR 195245-269
ELS 101600-632		MSDR 195271-296

* Locomotives