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RICHARD F. LORITZ
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Of Counsel

Sheldon L. Lebold
Patrick Dwyer
Thomas E. Grotta

August 28, 1990

REGISTRATION NO. **15992** FILED 1425

Office of the Secretary
Interstate Commerce Commission
Washington D.C. 20423

SEP 7 1990 -11 45 AM

INTERSTATE COMMERCE COMMISSION

Telephone
708 / 403-2555

Telecopier
708 / 349-6628

Re: Lease of Locomotive Equipment
National Railway Equipment Co. (As Assignee
from Chrome Locomotive, Inc.), Lessor
Iowa Interstate Railroad, Ltd., Lessee

Dear Mr. Secretary:

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 October 1, 1986. The names and addresses of the parties to the documents are as follows:

Lessor

National Railway Equipment Co.
An Illinois Corporation
(As Assignee from Chrome Locomotive, Inc.)
14400 S. Robey Street
P.O. Box 2270
Dixmoor, IL 60426

Lessee

Iowa Interstate Railroad, Ltd.
A Delaware Corporation
115 Wright Street
Iowa City, IA 52240

Office of the Secretary of State
Interstate Commerce Commission
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A description of the equipment covered by the document follows:

Seven (7) diesel-electric locomotives

Locomotive #1

Manufacturer	EMD
Model	GP-9
Horsepower	1750
Axles	N/A
Unit Number	97
Frame Number	N/A

Locomotive #2

Manufacturer	EMD
Model	GP-9
Horsepower	1750
Axles	N/A
Unit Number	1353
Frame Number	N/A

Locomotive #3

Manufacturer	EMD
Model	SW-1200
Horsepower	N/A
Axles	N/A
Unit Number	1299
Frame Number	N/A

Locomotive #4

Manufacturer	EMD
Model	GP-9
Horsepower	1750
Axles	N/A
Unit Number	97
Frame Number	N/A

Locomotive #5

Manufacturer	EMD
Model	GP-9
Horsepower	1750
Axles	N/A
Unit Number	401
Frame Number	N/A

Locomotive #6

Manufacturer	EMD
Model	GP-9
Horsepower	1750
Axles	N/A
Unit Number	483
Frame Number	N/A

Locomotive #7

Manufacturer	EMD
Model	GP-9
Horsepower	1750
Axles	N/A
Unit Number	484
Frame Number	N/A

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A fee of \$15.00 is enclosed. Please return the original and any extra copies not needed by the commission for recordation to Richard F. Loritz, 9533 W. 143rd Street, Orland Park, IL 60462.

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

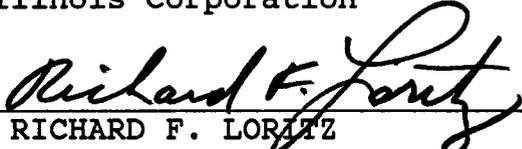
A lease of locomotive equipment identified as seven Diesel-Electric Locomotives, with National Railway Equipment Co. (Assignee from Chrome Locomotive, Inc.), as Lessor, and Iowa Interstate Railroad, Ltd., Lessee.

Also attached is an Affidavit executed by the attorney in fact for National Railway Equipment Co. and appropriately notarized declaring that the copies transmitted herewith have been compared to the original and have been found to be complete and identical in all respects to the original document.

Very truly yours,

NATIONAL RAILWAY EQUIPMENT CO.
an Illinois Corporation

BY:


RICHARD F. LORITZ

ITS: Attorney and Agent in Fact

RFL/sjg

Enclosures

16992

RECORDATION NO. _____ FILED 1985

SEP 7 1990 - 11 45 AM

LOCOMOTIVE LEASE AGREEMENT

INTERSTATE COMMERCIAL

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of the 1st day of OCTOBER, 1986, between CHROME LOCOMOTIVE, INCORPORATED, an Delaware corporation, ("Lessor"), and IOWA INTERSTATE RAILROAD, LTD., a Delaware corporation, ("Lessee").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:

1. LEASE AND LEASED PROPERTY

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

2. TERM

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

3. RENTAL

A. The rental payable shall be the sum identified in Schedule "A" payable in advance monthly installments, with two months rent payable on acceptance of the locomotive(s) to be held as security. Lessee shall operate such Locomotive(s) in service on its railroad. If the Commencement Date for any Locomotive does not fall on the first day of the month, the first rental payment shall be prorated accordingly.

B. Payments past due for more than five (5) days shall bear interest at the rate of eighteen percent (18%) per annum.

C. All rentals shall be paid to Lessor at Chrome Locomotive Inc., P.O. Box 95456, Chicago, IL 60694 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 be and remain the sole and exclusive property of Lessor.

B. Upon reasonable notice to Lessee, Lessor or its agents shall have free access to the Locomotive(s) at reasonable times for the purpose of inspection.

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. Lessee 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 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 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, in delivering the Locomotive(s) to Lessee 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 Lessee, that Lessee is satisfied that the same is suitable for Lessee's purposes 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 representations 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 Lessor or Lessee.

B. The Locomotive(s) shall be used and operated only by properly qualified, trained, and registered personnel authorized by Lessee.

C. Lessee shall comply with all federal, state, municipal and local laws, ordinances, and rules, and regulations relating to the lease, possession, insuring, use and operation of the Locomotive(s).

D. Lessee shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including without limitation the confiscation of the Locomotive(s)) levied upon or arising out of 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 all 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 government authority with respect to the possession, lease, use or operation of the Locomotive(s).

9. INSURANCE/INDEMNIFICATION/CASUALTY

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 providing the foregoing coverage shall protect the interests of Lessor and Lessee, including Lessee's authorized operators, with respect to liability for injuries to or the death of third persons and damage to or loss of use of property of third persons resulting from the ownership, maintenance, use or operation of the Locomotives.

B. Lessee agrees that it will be solely responsible for any loss, damage, injury or destruction to any locomotive unit leased from Lessor, except while said unit is under the control of the Lessor. In case the locomotive unit should become lost, destroyed or damaged beyond repair from any cause whatsoever, rental payments shall cease immediately, but in such case, the Lessee agrees to pay Lessor the replacement value as specified herein within thirty days. The salvage in such case shall be retained by Lessee.

C. If Lessor shall recover any monies from Salvage, manufacturers warranty or from any person, firm or corporation other than Lessee with respect to any repair, maintenance, loss damage or destruction to the locomotive unit, the cost of which has been or is borne by Lessee, Lessor agrees to pay over to Lessee such monies, after deducting any costs and expenses incident to the recovery of the same, up to an amount sufficient to reimburse for the cost borne by Lessee.

D. For each month the lease payments are made promptly and current, the replacement value of the locomotive shall

be reduced by an amount equal to the straight-line depreciation of the Replacement Value identified in Schedule A down to the Purchase Option price in paragraph 11, over the number of months of the lease.

Replacement Value - Purchase Option Price
-----=Decrement
Original # of months of lease

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

F. 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. 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.

G. 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.

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 of the Locomotive(s) or any interest therein.

11. PURCHASE OPTION

Provided Lessee is not then 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 \$4,000 dollars. 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 Lessor, 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.

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.

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

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.

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 place 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.

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 OF 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 financing statements or other documents evidencing Lessor's interest in the Locomotive(s) at any time with respect to the Locomotive(s) without Lessee's signature.

16. MISCELLANEOUS

A. This Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Illinois.

B. Neither this Lease nor any schedule shall be amended, and no provision hereof or of any Schedule shall be waived or varied unless by a writing signed by the parties.

C. No delay or omission by Lessor in exercising any right hereunder shall operate as a waiver of such right or any other right. A waiver by Lessor of any Event of Default by Lessee shall not be construed as a waiver of any future occasion.

D. In case any provision (or portions thereof) in this Lease shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions (or portions thereof) hereby shall not in any way be affected or impaired thereby.

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

F. All notices permitted or required to be given pursuant to this Lease shall be mailed by Certified or Registered Mail, Return Receipt Requested to the parties at the following addresses or at such other addresses as each party may notify the other.

If to Lessor: CHROME LOCOMOTIVE, INC.
P.O. BOX 197, NINTH STREET
SILVIS, ILLINOIS 61282

If to Lessee: IOWA INTERSTATE RAILROAD, LTD.
115 WRIGHT STREET
IOWA CITY, IA 52240

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

LESSOR:

CHROME LOCOMOTIVE, INC.

BY:

Paul F. Deady

Name: Paul F. Deady

Title: President

Attest:

By:

(Corporate Seal:)

LESSEE:

IOWA INTERSTATE RAILROAD, LTD.

BY:

Paul M. Victor

Name: Paul M. Victor

Title: EX VP & COO

Attest:

By:

(Corporate Seal:)

Sales Order No.

SCHEDULE A-I

Attached to and incorporated into lease dated October 1, 1986 by and between CHROME LOCOMOTIVE INC. (LESSOR) and IOWA INTERSTATE RAILROAD (LESSEE)

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

<u>UNIT NO.</u>	<u>TYPE</u>	<u>GENERAL DESCRIPTION</u>
97	GP-9	General Purpose Electro-Motive Division 1750 HP Locomotive

<u>REPLACEMENT VALUE</u>	<u>TERM</u>	<u>LEASE RATE PER LOCOMOTIVE</u>	
		<u>MONTHLY</u>	<u>DAILY</u>
\$60,000	6 Month		\$135.00/day

Commencement Date: March 17, 1987

Upon expiry of the initial lease period, lease will renew itself for 30 days at a time, to a maximum of 365 days, until one party gives the other party thirty days notice of their intent NOT to renew.

Special Terms:

IOWA INTERSTATE AGREES TO:

1. Maintain locomotive in good running condition and shall be responsible for all expenses of operations and use of the locomotive.
2. Hold Chrome harmless from all damage to the locomotive or liability of injury or property damage to lessees' operators, employees or other persons resulting from the use of the locomotive.
3. Use the locomotive only in operations on its' railroad.
4. The minimum period of this agreement shall be six (6) months.

CHROME LOCOMOTIVE AGREES TO:

1. Warrant the failure of any component part during

the term of this lease provided such failure is not a result of lessees' improper operation or maintenance of the locomotive.

2. Bill the lessee at the end of each month, provided that (IAIS) pays within ten (10) days after the date of invoicing.
3. If a long-term lease is executed prior to termination of this agreement, a credit of 60% of lease payments (payments of this agreement) shall be applied to the long term lease in the form of a reduction of the lease period.

LESSOR: CHROME LOCOMOTIVE, INC.

BY:

Paul F. Heady

TITLE:

President

DATE:

11-5-87

LESSEE: IOWA INTERSTATE RAILROAD

BY:

Fred D. Churney Jr.

TITLE:

Chief Mechanical Officer

DATE:

11-3-87

The Lessee shall be able to suspend lease payments, if at anytime the locomotive becomes inoperable due to a major component failure, not due to negligence or abuse by Lessee. The following conditions apply to this clause: The Lessee shall notify Lessor of condition. The lease payments shall be suspended for a period not greater than twenty-four (24) hours per occurrence to enable the Lessee to return the locomotive to Lessor at Silvis, Illinois. Lease payments will continue to be suspended until such time that the locomotive is made available to Lessee in operable condition. This clause shall be null and void if repair work is less than \$500.00 per occurrence, or repair work is needed due to negligence or abuse by Lessee. Since lease payments are made in advance, reimbursement of suspended amounts shall be made to Lessee upon expiration of lease.

Sales Order No.

SCHEDULE A-2

Attached to and incorporated into lease dated October 1, 1986 by and between CHROME LOCOMOTIVE INC. (LESSOR) and IOWA INTERSTATE RAILROAD (LESSEE)

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

<u>UNIT NO.</u>	<u>TYPE</u>	<u>GENERAL DESCRIPTION</u>
1353	GP-9	General Purpose Electro-Motive Division 1750 HP locomotive

<u>REPLACEMENT VALUE</u>	<u>TERM</u>	<u>LEASE RATE PER LOCOMOTIVE</u>	
		<u>MONTHLY</u>	<u>DAILY</u>
\$60,000	6 Month		\$135/day

Commencement Date: March 17, 1987

Upon expiry of the initial lease period, lease will renew itself for 30 days at a time, to a maximum of 365 days, until one party gives the other party thirty days notice of their intent NOT to renew.

Special Terms:

IOWA INTERSTATE AGREES TO:

1. Maintain locomotive in good running condition and shall be responsible for all expenses of operations and use of the locomotive.
2. Hold Chrome harmless from all damage to the locomotive or liability of injury or property damage to lessees' operators, employees or other persons resulting from the use of the locomotive.
3. Use the locomotive only in operations on its' railroad.

CHROME LOCOMOTIVE AGREES TO:

1. Warrant the failure of any major component part during the term of this lease provided such failure is not a result of the lessees' improper operation or maintenance of the locomotive.

2. Bill the lessee at the end of each month, provided that (IAIS) pays within ten (10) days after the date of invoicing.

LESSOR: CHROME LOCOMOTIVE, INC.

BY: *Paul F. Deady*

TITLE: *President*

DATE: *11/5/87*

LESSEE: IOWA INTERSTATE RAILROAD

BY: *Fred D. Chumey Jr.*

TITLE: *Chief Mechanical Officer*

DATE: *11-3-87*

The Lessee shall be able to suspend lease payments, if at anytime the locomotive becomes inoperable due to a major component failure, not due to negligence or abuse by Lessee. The following conditions apply to this clause: The Lessee shall notify Lessor of condition. The lease payments shall be suspended for a period not greater than twenty-four (24) hours per occurrence to enable the Lessee to return the locomotive to Lessor at Silvis, Illinois. Lease payments will continue to be suspended until such time that the locomotive is made available to Lessee in operable condition. This clause shall be null and void if repair work is less than \$500.00 per occurrence, or repair work is needed due to negligence or abuse by Lessee. Since lease payments are made in advance, reimbursement of suspended amounts shall be made to Lessee upon expiration of lease.

Sales Order No.

SCHEDULE A 3

Attached to and incorporated into lease dated 1st day of October, 1986 by and between CHROME LOCOMOTIVE INC. (LESSOR) and IOWA INTERSTATE RAILROAD, LTD. (LESSEE)

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

<u>UNIT NO.</u>	<u>TYPE</u>	<u>GENERAL DESCRIPTION</u>
1299 (Locomotive IAIS 250)	SW-1200	EMD SW-1200 Switcher Locomotive

<u>REPLACEMENT VALUE</u>	<u>TERM</u>	<u>LEASE RATE PER LOCOMOTIVE</u>	
		<u>MONTHLY</u>	<u>DAILY</u>
\$50,000	36 Month	\$1,490.42	\$ 49.00

Commencement Date: 6-18-87

Lessee agrees to pay the first two months rent on the commencement date, simultaneous with the acceptance of the locomotive(s).

Special Terms: At the end of this lease, Iowa Interstate shall have the option to purchase this locomotive for \$4,000.00

LESSOR: CHROME LOCOMOTIVE, INC

BY:

Paul F. Waddy

TITLE:

President

DATE:

11/23/87

LESSEE: IOWA INTERSTATE RAILROAD, LTD.

BY:

Fred D. Chumey Jr.

TITLE:

Chief Mechanical Officer

DATE:

11-16-87

Sales Order No.

SCHEDULE A 4

Attached to and incorporated into lease dated 1st day of October, 1986 by and between CHROME LOCOMOTIVE INC. (LESSOR) and IOWA INTERSTATE RAILROAD, LTD. (LESSEE)

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

<u>UNIT NO.</u>	<u>TYPE</u>	<u>GENERAL DESCRIPTION</u>
97	GP-9	General Purpose Electro-Motive Division 1750 HP Locomotive

<u>REPLACEMENT VALUE</u>	<u>TERM</u>	<u>LEASE RATE PER LOCOMOTIVE</u>	
		<u>MONTHLY</u>	<u>DAILY</u>
\$60,000	36 Month		\$ 60.00

Commencement Date: 12-01-87

This lease rate reflects a reduction of \$18.00 per day as a credit from Schedule A 1 - short term rental of locomotive number 97.

Iowa Interstate shall have the use of locomotive number 1353 while Locomotive number 97 is shopped on December 1, 1987 until release at no charge, but will pay lease payments on number 97 while it is shopped.

Special Terms: At the end of this lease, Iowa Interstate shall have the option to purchase this locomotive number 97 for \$4,000.00

LESSOR: CHROME LOCOMOTIVE, INC.

BY:

Paul F. Waddy

TITLE:

President

DATE:

12-9-87

LESSEE: IOWA INTERSTATE RAILROAD, LTD.

BY:

Fred D. Chenevix

TITLE:

Chief Mechanical Officer

DATE:

12-9-87

SCHEDULE A5

Attached to and incorporated into lease dated 1st day of October, 1986 by and between CHROME LOCOMOTIVE, INC. (Lessor) and IOWA INTERSTATE RAILROAD, LTD. (Lessee).

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

<u>Unit No.</u>	<u>Type</u>	<u>General Description</u>
401	GP9	EMD General Purpose 1750 HP Locomotive
483	GP9	EMD General Purpose 1750 HP Locomotive
484	GP9	EMD General Purpose 1750 HP Locomotive

<u>Replacement Value</u>	<u>Term</u>	<u>Lease Rate Per Locomotive</u>	
		<u>Monthly</u>	<u>Daily</u>
\$71,000	36 Months	\$3,100	\$103.33
\$51,000	36 Months	2,225	74.17
<u>\$61,000</u>	36 Months	<u>2,675</u>	<u>89.17</u>
\$183,000		\$8,000	\$266.67

Commencement Date: October 1, 1988

The first lease payment shall be paid October 1, 1988: Subsequent payments on the first day of each month following for 35 months.

Special Terms: The three locomotives identified above have been sold by the Lessee to the Lessor for \$1.00 each. Lessor shall repair the accident-damaged locomotives to the extent defined in Mr. Chaney's (Lessee) August 31, 1988 letter to Mr. Gallagher (Lessor) which letter is incorporated herein and made a part hereof.

Upon timely receipt of the 36 monthly lease payments, Lessor shall transfer title to the locomotives to the Lessee for the consideration of \$1.00 each.

LESSOR: CHROME LOCOMOTIVE, INC.

By: Paul F. Weady

Title: President

LESSEE: IOWA INTERSTATE RAILROAD, LTD.

By: Fred D. Chaney

Title: Chief Mechanical Officer

SALES AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of September, 1988 by and between CHROME LOCOMOTIVE, INC., P.O. Box 197, Ninth Street, Silvis, Illinois 61282, (hereinafter called the "Purchaser"), and IOWA INTERSTATE, (hereinafter called the "Seller").

WITNESSETH

WHEREAS, the Purchaser desires to purchase and Seller is willing to sell the following described property.

EMD GP-9 locomotives 401, 483, 484

NOW, THEREFORE, in consideration of the payments and agreements hereinafter mentioned to be made and fulfilled by the Purchaser, the Seller hereby agrees to furnish and the Purchaser hereby agrees to accept said property.

1. The Purchaser agrees to pay the Seller as follows for the property:

<u>UNIT</u>	<u>PRICE</u>
<u>401</u>	<u>\$1.00</u>
<u>483</u>	<u>\$1.00</u>
<u>484</u>	<u>\$1.00</u>

F.O.T. Silvis, Illinois with 100% of the purchase price to be rendered at time of acceptance and the balance, if any, to be rendered within 30 days after said acceptance. Shipment of the property shall be on or before 01 September, 1988.

2. It is agreed by both parties that title to these locomotives is being transferred to the buyer with the specific intent of it reverting to the seller after thirty-six months. In the meantime, the Purchaser shall repair the heavily wreck-damaged locomotives and lease them to the seller under the terms defined in Schedule A5 of the lease - dated October 1, 1986 - between the two parties.
3. On default by Seller, Purchaser shall have the option of refusing to perform further under this and any other existing agreement between the parties that Purchaser may elect, and Purchaser may rescind any agreements between the parties and hold Purchaser for all damages and losses occasioned thereby.

4. This agreement and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Illinois. The parties shall submit all such matters to the jurisdiction of the courts of Illinois only, to be heard in the 14th Judicial District, Rock Island County.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in duplicate and on the day and year shown above.

IOWA INTERSTATE

By: Fred D. Cheney Jr.

CHROME LOCOMOTIVE, INC.

By: Jay L. Waddy

Witness

By: [Signature]