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Richard F. Loritz

RECORDATION NO. 24891 FILED
APR 01 '04 2-44 PM

Of Counsel:
David Dineff
Patrick Dwyer
Thomas Murphy

SURFACE TRANSPORTATION BOARD

March 9, 2004

Office of the Secretary
Surface Transportation Board
12th Street & Constitution Ave., N.W.
Washington, D.C. 20423-0001

Re: Lease of Locomotive Equipment
National Railway Equipment Co., Lessor
Indiana Harbor Belt Railroad Company, Lessee

Dear 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 January 14, 2003. The names and addresses of the parties to the documents are as follows:

Lessor: National Railway Equipment Co.
14400 South Robey
P.O. Box 2270
Dixmoor, IL 60426

Lessee: Indiana Harbor Belt Railroad Company
2721 161st Street
Hammond, Indiana 46323-1099

A description of the equipment covered by the document follows:

<u>UNIT NO.</u>	<u>TYPE</u>	<u>GENERAL DESCRIPTION</u>
2027 (2922)	EMD	Special Duty Six Axle 2,0000 HP
2031 (2923)	EMD	Special Duty Six Axle 2,0000 HP
2035 (2924)	EMD	Special Duty Six Axle 2,0000 HP
2037 (2925)	EMD	Special Duty Six Axle 2,0000 HP

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A fee of \$30.00 is enclosed. Please return the original after recordation to:

Richard F. Loritz
Loritz & Associates
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 four (4) locomotives,
with National Railway Equipment Co., as Lessor and Indiana Harbor
Belt Railroad Company, as Lessee

I certify under my oath and state that I have compared the copy with the original and I found the
copy to be complete and identical in all respects to the original document.

Very truly yours,

LORITZ & ASSOCIATES

By: 
Richard F. Loritz

RFL/mj
nrec#309.04e

Enclosures

LOCOMOTIVE LEASE AGREEMENT

Handwritten initials and signature

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of this 13th day of January, 2003, between the National Railway Equipment Company, an Illinois corporation, ("LESSOR"), and Indiana Harbor Belt Railroad Company, ("LESSEE").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:

1. LEASE AND LEASED PROPERTY

Lessee hereby leases from Lessor, the locomotives, ("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 affect prompt delivery of the locomotives to Lessor at one of its contiguous United States facilities as designated by Lessor at time of termination. Locomotives have already been delivered and accepted by Lessee.

3. RENTAL

A. The rental payable shall be the sum identified in Schedule "A" payable in monthly installments, with one month's rent payable on/or before the last day of each month and one month's rent payable upon Locomotive Lease Agreement signing and to be held as security through the duration of the Agreement. Lessee shall operate such locomotives in service on its railroad and/or adjoining railroads. 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:

The National Railway Equipment Company
135 South LaSalle Street
Department 1473
Chicago, IL 60674-1473

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Or at such other address as Lessor may direct in writing.

4. TAXES

SURFACE TRANSPORTATION BOARD

Lessee shall pay all use, excise, ad valorem, stamp, documentary and similar taxes on or relating to this lease of the locomotives, or the use, registration, rental, maintenance, possession or operation thereof, and shall file any returns required therefore, 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, except for any income taxes owed by Lessor.

name of the Lessor or Lessee.

B. The locomotives shall be used and operated only by properly qualified, trained and registered personnel authorized by Lessee.

C. Lessee and Lessor 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 locomotives.

D. Lessee shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including without limitation the confiscation of the locomotives) levied upon or arising out of the use, operation, maintenance or insuring of the locomotives in violation of any law, ordinance, rule or regulation of any governmental authority, unless caused by the Lessor. Lessor shall have no responsibility to upgrade or change Locomotive(s) to meet changes in any of the above *in this paragraph or paragraph C.* *Jan [Signature]*

E. Lessee shall pay all costs, expenses and charges incurred in connection with the maintenance, lease, use and operation of the locomotives.

F. Lessee shall maintain the locomotives 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 locomotives.

9. INSURANCE/INDEMNIFICATION

A. Public liability insurance providing coverage in an amount not less than ten million (\$10,000,000.00) 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 with an A.M. Bests rating of A- IX or better and authorized to transact business in all of the states and countries in which the locomotives will be used and operated.

ii. name Lessor and Lessee as insured parties.

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 locomotives.

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 acceptable to Lessor, such acceptance not to be unreasonably withheld.
- ii. provide coverage in an amount not less than the replacement value of the locomotives.
- 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. 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.

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, after giving Lessee ten business days written notice, may obtain such required insurance coverage on behalf of Lessee and Lessee's expense.

G. Notwithstanding any provision in this Agreement, Lessor shall be responsible for its own negligent actions occurring after the date this Agreement is signed and if such actions are the result of the repair or maintenance of the Locomotive(s) *after the date of this Agreement.*

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 locomotives or any interest therein.

11. RENEWAL/PURCHASE OPTION

So long as no Event of Default shall have occurred and be continuing, the Lessee may upon 90 days notice, elect the option to renewal or purchase the locomotive at the end of the initial lease term. The renewal purchase options are listed on Schedule A. The Lessee shall elect either option with a written notice.

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 locomotives as Lessor reasonably may request. These statements shall remain confidential except as deemed necessary by Lessor to assign this lease to a lending institution.

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 hereafter, and only after fifteen business days from the notice of an Event of Default and if the Event of Default is not cured within such time, Lessor, in its sole discretion, may take any one or more of the following actions with respect to the locomotives:

- 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 locomotives wherever found, and for this purpose Lessor may at Lessor's option enter upon the premises where such locomotives 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 locomotives 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 locomotives, 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 locomotives.

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 locomotives 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 locomotives. Lessee further authorizes Lessor to execute and file financial statements or other documents evidencing Lessor's interest in the locomotives after Lessee's approval of such documents, such approval not to be unreasonable withheld.

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: National Railway Equipment Company
P.O. Box 2270
Dixmoor, Illinois 61282

If to Lessee: Indiana Harbor Belt Railroad Company
2721 161st Street
Hammond, Indiana 46323-1099

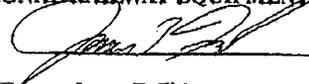
WITNESS WHEREOF, the parties have executed this Lease the day and year first mentioned above.

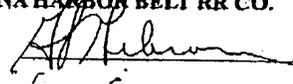
LESSOR:

LESSEE:

NATIONAL RAILWAY EQUIPMENT CO.

INDIANA HARBOR BELT RR CO.

BY: 

BY: 

NAME: James E. Fisk

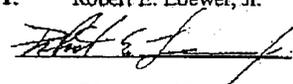
NAME: Gary Gisson

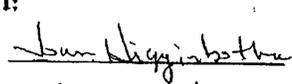
TITLE: President

TITLE: General Manager

ATTEST: Robert E. Loewer, Jr.

ATTEST:

BY: 

BY: 

TITLE: Director of Finance

TITLE: Executive Assistant

(Corporate Seal)

(Corporate Seal)

SCHEDULE "A"

Attached to and incorporated into the Lease dated the 15th day of January, 2003, by and between the National Railway Equipment Company (LESSOR) and Indiana Harbor Belt Railroad Company (LESSEE).

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

UNIT NO.	TYPE	GENERAL DESCRIPTION
2027 (2922)	EMD	Special Duty Six Axle 2,0000 HP
2031 (2923)	EMD	Special Duty Six Axle 2,0000 HP
2035 (2924)	EMD	Special Duty Six Axle 2,0000 HP
2037 (2925)	EMD	Special Duty Six Axle 2,0000 HP

REPLACEMENT VALUE EACH	LEASE TERM	LEASE RATE PER LOCOMOTIVE	
		MONTHLY	DAILY
\$170,000.00	through June 1, 2007	\$2,190.00	\$72.00

above lease rates to be effective commencing January 14, 2003 for Unit Number 2027
 above lease rates to be effective commencing January 14, 2003 for Unit Number 2031
 above lease rates to be effective commencing April 1, 2003 for Unit Number 2035
 above lease rates to be effective commencing November 1, 2003 for Unit Number 2037

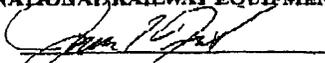
RENEWAL RATE, TERM AND PURCHASE OPTION: At the end of the initial lease term, Lessee may elect to either renew the lease for not less than one year (12 months) at a daily straight lease rate of \$72.00 per day or exercise the purchase of all four locomotives as indicated in the terms and conditions under PURCHASE below. The purchase option buyout at the end of the one year renewal period will be \$10,000.00 per locomotive.

PURCHASE: Lessee may elect to purchase, at the conclusion of the lease term locomotive, Unit Numbers 2027, 2031, 2035 and 2037 for \$72,850.00 each. The total of \$115,400.00 shall be due via wire transfer to the predesignated bank account of Lessor on/or before June 1, 2007. The Lessee is required to advise Lessor in writing, at least 90 days in advance of the lease expiration date to effect the purchase transaction. This purchase option, if exercised, requires that all four units be purchased at the conclusion of the lease term.

COMMENCEMENT DATE: Per the above referenced commencement dates accepted at Hammond, Indiana.

Lessee agrees to pay each month of rent on/or before the last day of each month and one month's rent to be held as security with their execution of the lease

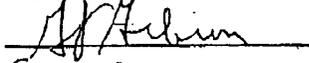
LESSOR: THE NATIONAL RAILWAY EQUIPMENT COMPANY

BY: 

NAME: James E. Fisk

TITLE: President

LESSEE: SPANISH CANYON RAILROAD COMPANY

BY: 

NAME: GARY GIBSON

TITLE: GENERAL MANAGER