

RECORDATION NO. 26463-A FILED

JUL 19 '06 3-37 PM

SURFACE TRANSPORTATION BOARD

FIRST UNION RAIL

One O'Hare Centre
6250 River Road, Suite 5000
Rosemont, IL 60018

Tel 847.318.7575
Fax 847.318.7588

VIA UPS 2nd DAY AIR

July 17, 2006

Mr. Vernon E. Williams
Surface Transportation Board
1925 K Street, N.W., Room 704
Washington, DC 20423-0001
Attn: Recordation of Railroad Equipment

Re: Memorandum of Lease Agreement

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) originals and one (1) copy of a Memorandum of Lease Agreement, dated June 27, 2006, a secondary document as defined in the Board's Rules for the Recordation of Documents. The enclosed document relates to the Lease Agreement which was duly filed with the Commission under Recordation Number _____.

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

Lessor: First Union Rail Corporation
One O'Hare Center
6250 River Road, Suite 5000
Rosemont, IL 60018

Lessee: Modesto and Empire Traction Company
530 Eleventh Street
Modesto, CA 95353

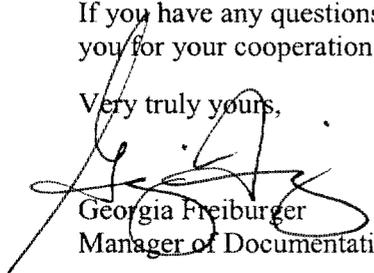
A description of the railroad equipment covered by the enclosed document is thirty-nine (39) 52' 8" Plate F, insulated boxcars, with NOKL marks (see Exhibit A for car numbers).

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

Also enclosed is a check in the amount of \$34.00 payable to the order of the Surface Transportation Board covering the required recordation fee. Kindly return one (1) stamped original of the enclosed document to the undersigned along with the additional copies.

If you have any questions regarding the above-referenced matter, please contact me at (847) 384-5387. Thank you for your cooperation in this matter.

Very truly yours,


Georgia Freiburger
Manager of Documentation

Enclosures
(MET002)

ASSGN. NO.: MET002

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (the "Memorandum") is made and entered into as of this the 27th day of June, 2006, by and between First Union Rail Corporation ("Lessor"), a North Carolina corporation, and Modesto And Empire Traction Company ("Lessee"), a California corporation.

WITNESSETH:

The undersigned Lessor and Lessee have entered into that certain Lease Agreement (the "Lease"), dated as of June 27, 2006, whereby Lessor has agreed to lease to Lessee certain railcars pursuant to Rider No. 2 to the Lease (the "Rider"), as described in more particular on Exhibit A attached hereto, effective as of February 20, 2006, and subject to the terms, conditions and provisions of the above-mentioned Lease and Rider.

IN WITNESS WHEREOF, the parties hereto have each caused this Memorandum to be duly executed under seal by their respective officers duly authorized as of the date and year first above written.

LESSOR:

FIRST UNION RAIL CORPORATION

By: Richard F. Seymour

Name: RICHARD F. SEYMOUR
VICE PRESIDENT SALES & MARKETING

Title: _____

ATTEST:

By: Susan Grotulsky

Name: SUSAN GROKULSKY

Title: MGR. OF DOCUMENTATION

Executed on this 27th day of June, 2006.

[CORPORATE SEAL]

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STATE OF ILLINOIS

COUNTY OF COOK

SURFACE TRANSPORTATION BOARD

I, GEORGIA FREIBURGER, a Notary Public of the County and State aforesaid, certify that RICHARD F. SEYMOUR personally appeared before me this day and acknowledged his/her due execution of the foregoing Memorandum of Lease.

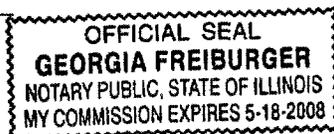
WITNESS my hand and official stamp or seal, this 27th day of June, 2006.

[Signature]
Notary Public

My Commission Expires:

5-2008

(Notary Public)



LESSEE:

MODESTO AND EMPIRE TRACTION COMPANY

ATTEST:

By: Tom L. Nielsen

Name: Tom L. Nielsen

Title: Vice President

By: _____

Name: _____

Title: _____

Executed on this 30 day of May, 2006.

[CORPORATE SEAL]



STATE OF California

COUNTY OF Stanislaus

I, Theresa K Cooper, a Notary Public of the County and State aforesaid, certify that Tom L Nielsen personally appeared before me this day and acknowledged his/her due execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 30 day of May, 2006.

Theresa K Cooper
Notary Public

Commission Expires:

June 5, 2009

(Notary Public)

EXHIBIT A
to
MEMORANDUM OF LEASE

- I. NUMBER OF CARS: Thirty-nine (39)

- II. DESCRIPTION OF CARS: 52' 8", 286,000 lb. capacity, single 12' plug door, cushioned, Plate F, insulated boxcars, nailable steel floors, built in 1989.

- III. CAR NUMBERS: NOKL 571000-571039, excluding 571021