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RECORDATION NO. 20759 FILED

JUL 14 '97

9-51 AM

RECORDATION NO. 20759-A, B FILED

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RECEIVED
SURFACE TRANSPORTATION
BOARD

Countryfile - Mary A Oster

July 14, 1997

Mr. Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recording with the Surface Transportation Board is a Master Lease Agreement dated July 2, 1997, between the following parties:

Lessor: U.S. Bancorp Leasing & Financial
825 N.E. Multnomah, #800
Portland, OR 97232

Lessee: Dakota, Minnesota & Eastern Railroad
Corporation
P. O. Box 178
Brookings, SD 57006

Please record this agreement as a primary document.

Also enclosed for recording are Lease Schedule No. 11593.001 and Lease Schedule No. 11593.002. Please record these agreements as secondary documents to the Master Lease Agreement.

The filing fee of \$72 is enclosed. Thank you for your assistance.

Sincerely,

Mary A Oster

Mary Ann Oster
Research Consultant

Enclosures

SCHEDULE TO MASTER LEASE AGREEMENT

RECORDATION NO. 20759-B FILED



JUL 14 '97 9-51 AM

Schedule Number 11593.002

THIS SCHEDULE made as of **July 2, 1997**, by and between **U.S. BANCORP LEASING & FINANCIAL** ("Lessor"), having its principal place of business at 825 N.E. Multnomah, Suite 800, Portland, Oregon 97232, and **Dakota, Minnesota & Eastern Railroad Corporation** ("Lessee"), having its principal place of business located at **P.O. Box 178, Brookings, South Dakota 57006**, to the Master Lease Agreement dated as of **July 2, 1997** between the Lessee and the Lessor (the "Lease"). Capitalized terms used but not defined herein are used with the respective meanings specified in the Lease.

LESSOR AND LESSEE HEREBY COVENANT AND AGREE AS FOLLOWS:

(a) The following specified equipment (the "Property") is hereby made and constituted Property for all purposes pursuant to the Lease:

One (1) Business Car bearing the name Mount Holly Park and Amtrak private car number 800517, Manufactured by Pullman Car Company as part of Lot 4854, Plan 7061, released for service June 11, 1925

The above unit is complete as equipped including, but not limited to, all attachments, accessories and replacements relating thereto.

(b) The cost of the Property is ~~\$20,000.00~~ ^{KVF} \$ [REDACTED];

X Please Initial Here: KVF

(c) This Schedule shall commence on August 1, 1997 and shall continue for Eighty-Four (84) months thereafter.

(d) Lessee shall owe Eighty-Four (84) basic monthly rental payments in advance each in the amount of [REDACTED] (plus applicable sales/use taxes). The first such payment shall be due on August 1, 1997 and shall continue on the same day of each month thereafter until the end of the term of this Schedule. In addition, Lessee shall pay daily pro rata rental in the amount of [REDACTED] per day (plus applicable sales/use taxes) from the date on which Lessee executes a Delivery and Acceptance Certificate for the Property through July 31, 1997. Such daily pro rata rental shall be due and payable on August 1, 1997.

(e) The record owner of the premises at which the Property will be installed or stored is: ;

(f) Lessor and Lessee agree that Section 8 of the Lease entitled "Income Tax Indemnity" shall NOT apply to this Schedule.

1. **LATE CHARGE.** If any installment of Rent shall not be received by Lessor or Lessor's Assignee within ten (10) days after such amount is due, Lessee shall pay to Lessor a late charge equal to five percent (5.0%) of such overdue amount.

2. **TITLE PASSAGE.** a. As long as no event of default has occurred under the Lease, Lessee shall have the option, to purchase all, but not part, of the Property at the end of the Term or any renewal thereof (the "Option") for a purchase price of \$18,000.00, (the "Purchase Price"). The Option may only be exercised by Lessee by written notice of such exercise to Lessor, which notice must be received by Lessor not later than thirty (30) days prior to the last day of the Term. Payment of the Purchase Price must be received by Lessor on or before the last day of the Term.

b. The Purchase Price shall be deemed to be the "anticipated" or "estimated" residual value of the Property (as such terms are used in the Lease).

c. Upon receipt of payment of the Purchase Price together with any and all applicable sales or other taxes due in connection therewith, and any and all remaining sums or other amounts payable under this Schedule, Lessor shall transfer all its right, title and interest in and to the Property to Lessee. The Property shall be transferred "As Is" and "Where Is" without any express or implied representations or warranties.

d. Should Lessee fail to exercise the Option in accordance with its terms, then Lessor, at its sole option, shall have the right to: a) declare the Option terminated and demand immediate return of the Property; or, b) extend the Term for an additional six (6) months (the "Extended Term"). Should Lessor elect to extend the Term, Lessee shall be irrevocably obligated to remit basic monthly rent for the period beginning on the day immediately succeeding the last day of the original Term (the "Holdover Date") and ending at the end of the sixth (6) month thereafter. A payment of such rent being due on the Holdover Date and on the same day of each consecutive month thereafter. Each payment of such rent shall be in the amount of the basic monthly rent for the last month of the Term in accordance with the provisions of this Schedule. All Lessee's other obligations under the Lease shall remain in full force and effect for so long as Lessee shall continue to possess the Property. Upon the expiration of each Extended Term, Lessor, at its sole option, shall have the right to: a) permit Lessee to exercise the Option in accordance with its terms; b) declare the Option terminated and demand immediate return of the Property; or, c) extend the Term for an additional six (6) month Extended Term. Any and all rental payments pursuant to this Paragraph shall be deemed for all intents and purposes to be payments for possession and use of the Property after the expiration of the Term, and shall not be credited to any other obligation of Lessee to Lessor. Lessor's invoicing and/or accepting any such payment shall not give rise to any right, title or interest of Lessee other than to possession and use of the Property during the period to which such rent applies in accordance with this Paragraph. The aforesaid right to charge Lessee rent for possession and use of the Property is not in limitation or derogation of any of Lessor's rights pursuant to the Lease.

3. MAINTENANCE, USE, AND RETURN PROVISIONS. The Lessee, at its own expense and risk shall throughout the Lease Term maintain, and repair so as to keep the Railcar in good operating condition under Interchange Rules, as defined by the Association of American Railroads (AAR); ordinary wear and tear excepted, and in accordance with maintenance standards at least equal to the industry standards of maintenance for similar Railcars operating on the lines of Class I Railroads and in the manner and in the same condition as Lessee would, in the prudent management of its own business, maintain and repair similar equipment owned by it at such time (or operated by the Lessee at such time under net leases with an original term of 15 years or less) so that such Railcar will remain (i) in as good operating condition for the commodities carried as when originally delivered (ordinary wear and tear excepted), (ii) mechanically suitable for interchange generally by the Lessee and (iv) eligible under all manufacturer's warranties. The Lessee agrees that it will not discriminate against any Railcar (as compared to other similar Railcars owned or operated by the Lessee) with respect to its use, operation or maintenance in contemplation of the expiration or termination of this Lease. Interchange condition to include the replacement of missing materials and the correction of wrong repairs and items listed in the Interchange Rules as cause for renewal and cause for attention; free of Rule 95 damage. Any item that is damaged or worn beyond what is considered to be normal by the original component manufacturer shall be deemed to have been damaged beyond normal wear and tear and shall be replaced at the Lessee's expense. Wheels shall be replaced if worn past AAR regulations.

Lessee shall return all records including the then current AAR UMLER format for hard copy records. Lessee shall continue to allow the Car to be registered in UMLER until the Car is remarked.

Maintenance means all repairs, maintenance, replacement of parts and mandated modifications as are needed to keep the Car in good working order and repair, suitable for loading and Interchange and in accordance with Interchange Rules, and the rules of any other applicable regulatory body.

Interchange Rules means collectively the Field Manual of the AAR Interchange Rules and the Office Manual of the AAR Interchange Rules. References herein to the Interchange Rules provide performance standards and criteria for the condition of the Car and its maintenance and repair.

One hundred eighty (180) days prior to lease expiration, Lessee shall provide written notification of intent to return the Car, and demonstrate that the Car can perform at its performance specifications according to the original manufacturer. An independent certified technician chosen by Lessor shall demonstrate the performance of the Car and the physical condition as defined herein. If it is determined that improvements under the manufacturer's performance standards are needed, Lessee shall cause such improvements to be made prior to the return of the Car. Lessee shall provide, at Lessor's request, up to one hundred eighty (180) days free storage of the equipment at the location Lessor designates.

4. EARLY TERMINATION. Provided that no event of default has occurred and is continuing, Lessee may terminate its remaining obligations hereunder as follows:

a. Lessee may terminate and retain the Property, by paying the appropriate amount indicated on the attached Buy-Out Schedule (plus any applicable taxes).

b. Lessee shall give Lessor written notice of Lessee's intention to prepay as provided herein at least Forty-Five (45)

days prior to the date on which Lessee intends t prepay (the "Prepayment Date"). On or prior to the Prepayment Date, Lessee shall present Lessor with cash or a bank, cashiers or certified check for the Prepayment Amount.

c. Prepayment as provided herein shall no release Lessee from any obligation hereunder other than its obligations to make payments of basic rent thereunder and the Lease shall not terminate unless and until all Lessee's obligations hereunder have been satisfied, including any taxes or late fees accrued.

IN WITNESS WHEREOF, the Lessor and the Lessee have each caused this Schedule to be duly executed as of the day and year first above written.

X Dakota, Minnesota & Eastern Railroad Corporation
(LESSEE)

U.S. Bancorp Leasing & Financial
(LESSOR)

By: [Signature]
Kurt Feaster, Chief Financial Officer

By: [Signature]
An Authorized Officer Thereof

(All signatures must be notarized in the appropriate space below)
CORPORATE ACKNOWLEDGMENT

CORPORATE ACKNOWLEDGEMENT

STATE OF South Dakota)
)SS.
County of Brookings)
July 10, 1997

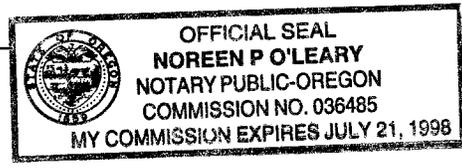
STATE OF Oregon)
)SS.
County of Multnomah)
July 11, 1997

Personally appeared Kurt Feaster, and
 who, being sworn, stated
that he/she, the said Chief Financial Officer is a n
Officer, and he/she, the said
 is a _____
 of corporation and acknowledged
that this Document was voluntarily signed in behalf of
the corporation by Authority of its Board Directors.

Personally appeared Clifford Swan and
 who, being sworn, stated
that he/she, the said Authorized officer is a
 , and he/she, the said
 is a AVP
 of corporation and acknowledged
that this Document was voluntarily signed in behalf of
the corporation by Authority of its Board Directors.

Before me: Lisa L. Rasmussen
Lisa L. Rasmussen
Notary Public for South Dakota
Oct 16, 2002
My commission expires:

Before me:
Noreen P. O'Leary
Notary Public for
7-21-98
My commission expires:



Address for All Notices:
U. S. BANCORP LEASING & FINANCIAL
825 N.E. Multnomah, Suite 800
Portland, Oregon 97232

Machine Tool Finance Group General Equipment Group
(800) 225-8029 (503) 797-0222 (800) 253-3468 (503) 797-0200