

Country Club - Kim Bentman

RECORDATION NO. 20809 FILED

ALVORD AND ALVORD
ATTORNEYS AT LAW
918 SIXTEENTH STREET, N.W.

AUG 6 '97 2-10PM

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

SUITE 200
WASHINGTON, D.C.

20006-2973

(202) 393-2266

FAX (202) 393-2156

RECORDATION NO. 20809-A FILED
OF COUNSEL
URBAN A. LESTER

AUG 6 '97 2-10PM

August 6, 1997

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Master Equipment Lease Agreement, dated as of July 1, 1997, a primary document as defined in the Board's Rules for the Recordation of Documents and a Lease Agreement [Sublease] also dated as of July 1, 1997, a secondary document related thereto.

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

Master Equipment Lease Agreement

Lessor: NationsBanc Leasing Corporation
2300 Northlake Centre Drive
Tucker, Georgia 30084

Lessee: Grace Trust
1661 Beach Boulevard
Jacksonville, Florida 32250

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SURFACE TRANSPORTATION
BOARD

Mr. Vernon A. Williams
August 6, 1997
Page 2

Lease Agreement [Sublease]

Lessor: Grace Trust
1661 Beach Boulevard
Jacksonville, Florida 32250

Lessee: Minnesota Mining and Manufacturing Company
3M Center
St. Paul, Minnesota 55144

A description of the railroad equipment covered by the enclosed documents is:
fifteen (15) open hopper cars MMMX 200 through MMMX 214, inclusive

Also enclosed is a check in the amount of \$48.00 payable to the order of the
Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of each of the enclosed documents to the
undersigned.

Very truly yours,



Robert W. Alvord

RWA/bg
Enclosures

RECORDATION NO. 20809-A FILED

AUG 6 '97 2-10PM

LEASE AGREEMENT

This LEASE AGREEMENT ("Lease") is made and entered as of the 15th day of July, 1997 between GRACE TRUST (hereinafter called "Lessor"), and MINNESOTA MINING AND MANUFACTURING COMPANY (hereinafter called "Lessee").

RECITALS

WHEREAS, Lessor owns certain railroad freight car equipment, hereafter referred to as the "Cars," and more specifically identified on Exhibit A attached hereto, and desires to lease such Cars to Lessee;

WHEREAS, Lessee desires to lease such Cars from Lessor all upon the rentals, terms and conditions set forth in this Lease.

AGREEMENT

1. **Definitions.** In addition to the definitions included elsewhere in this Lease, certain terms are defined for purposes of this Lease as follows:

"Cars" shall mean the open hopper railcars from the series which are being restenciled to bear Lessee's reporting mark and numbers inclusive. A single unit of such equipment shall be referred to as a "Car."

"Casualty Car" shall mean a Car which suffers an Event of Loss or is damaged beyond economic repair as reasonably determined by Lessee.

"Casualty Value" for any Car shall be the amount set forth in Exhibit C attached hereto.

"Certificate of Acceptance" shall mean a certificate of acceptance substantially in the form of Exhibit B attached hereto executed by Lessee or Lessee's designated representative or agent.

"Commencement Date" as to all the Cars shall be the first day of the month following the month in which occurs the latest Delivery Date for the Cars (i.e., the first day of the month following the date on which the last of the Cars is delivered to and accepted by Lessee hereunder).

"Delivery Date" for any Car shall mean the date on which such Car is delivered to and accepted (or deemed accepted) by Lessee hereunder.

"Event of Loss" shall mean any of the events referred to in Section 17 hereof.

"Fixed Rent" shall mean, with respect to any Car to which Fixed Rent applies a monthly rent of \$375.00.

"Initial Term" shall mean the period commencing on the Commencement Date and ending seven (7) years from and after the Commencement Date.

"Interim Rent" shall mean, with respect to any Car to which Interim Rent applies, an amount of daily rent per Car equal to \$12.50.

"Repair Work" shall mean all repairs, maintenance, modifications, additions or replacements required to keep and maintain the Cars in like condition as received at the Delivery Date (excepting normal wear and tear).

"Replacement Cars" shall mean Cars of substantially similar description and condition to the Cars originally subject to this Lease which are substituted for Casualty Cars.

2. **Lease of Cars.** Lessor agrees to lease the Cars to Lessee and Lessee agrees to lease the Cars from Lessor. The cars covered by this Lease are those which shall be delivered to and accepted by Lessee as hereinafter provided. This Lease shall become effective as to any Car immediately upon its acceptance by Lessee pursuant to Section 4. It is the intent of the parties that no agency, joint venture or partnership relationship shall arise or be created between Lessor and Lessee. Lessee's interest in the Cars shall be that of lessee only.

3. **Delivery of Cars.** Lessor shall deliver the Cars as promptly as is reasonably practicable. Lessor's obligations with respect to delivery of all or any of the Cars are hereby made expressly subject to, and Lessor shall not be responsible for, failure to deliver or delays in delivering Cars due to labor difficulties, fire, delays and defaults of carriers and material suppliers of Car manufacturers, acts of God, governmental acts, regulations and restrictions or any other causes, casualties or contingencies beyond Lessor's control. Delivery shall be f.o.b. FSI Railcar, Mobile, Alabama. Lessor shall suffer no bias if fewer than 15 are delivered hereunder, and this Lease shall be effective with respect to that number of Cars actually delivered.

4. **Condition of Cars and Acceptance:** Lessee shall, by no later than one week after notification that the Cars are ready for acceptance, have the right to inspect such Cars at the point of delivery and accept or reject them as to condition and to determine that the repairs to the Cars made by FSI Railcar are satisfactory. Cars so inspected and accepted, and Cars which are available for inspection but are not inspected by Lessee for any reason other than the fault of Lessor shall be conclusively deemed to be accepted and subject to this Lease and to meet all requirements of this Lease. Should the inspection reveal any necessary repairs or maintenance, Lessor, in its sole discretion, shall have the option either to complete such repairs, substitute replacement cars or withdraw the cars from consideration. Lessee shall issue and deliver to Lessor with respect to all cars accepted, or deemed accepted, a Certificate of Acceptance in the form of Exhibit B.

5. **Use and Possession.** Throughout the continuance of this Lease, (a) Lessee shall be entitled to possession of each Car from the Delivery Date as to such Car, (b) Lessee may use the Cars on the property or lines owned or operated by Lessee (either alone or jointly with another) or by any affiliate of Lessee, or upon lines over which the Lessee or any such affiliate shall have trackage or other operating rights, and (c) the Lessee shall be entitled to permit the use of the Cars upon connecting and other railroads in the usual interchange of traffic or over which through service may be afforded, but subject to all the terms and provisions of this Lease. Lessor, for itself, its successors and assigns, covenants that Lessee and its successors and permitted lessees and assigns, so long as no default by Lessee has occurred or is continuing hereunder, may and shall peaceably and quietly have, hold, possess, use and enjoy the Cars as provided in this Lease without suit, molestation or interruption by Lessor or by reason of Lessor's acts. Notwithstanding any provision herein to the contrary, Lessee agrees that the Cars shall at all times be used in a careful and prudent manner, solely in a use, service and manner for which the Cars were designed, and in compliance with applicable laws.

6. **Term.** Except as otherwise provided herein with respect to early termination and Events of Loss, this Lease shall be effective as to each Car for the Initial Term of 7 years from the Commencement Date. All of the terms and provisions of this Lease Agreement shall apply and be in full force and effect with respect to Cars accepted by Lessee prior to the Commencement Date. This Lease shall remain in full force until it expires or is terminated as to all of the Cars as provided herein.

7. **Rental.** Until the expiration or termination of this Lease as to any Car then subject hereto, Lessee shall pay Interim Rent (if applicable) and Fixed Rent (sometimes referred to together herein as "rent" or "rental") to Lessor as follows:

(a) Interim Rent during the period from the Delivery Date as to such Car through and including the day prior to the Commencement Date.

(b) Fixed Rent commencing on the Commencement Date and terminating at the expiration of this Lease as to such Car.

8. **Payment.** Lessee will pay Interim Rent with respect to any Car that is delivered before the Commencement Date. Interim Rent shall accrue on and from the Delivery Date as to such Car through and including the day prior to the Commencement Date. Lessor shall submit an invoice or invoices setting forth the Interim Rent due from Lessee and Lessee shall pay Interim Rent to Lessor within fifteen days after receipt of Lessor's invoice. Lessee shall pay Fixed Rent with respect to each Car commencing on the Commencement Date and ending on the date this Lease expires or is terminated as to such Car (except as otherwise expressly provided herein). Lessee shall pay to Lessor the Fixed Rent in advance on the Commencement Date and thereafter on the first day of each succeeding month during the Initial Term. Lessor hereby directs Lessee to send all Interim Rent and all Fixed Rent payments to Lessor at the address provided in Section 21 hereof, or at such other place as Lessor may specify in a written notice delivered to Lessee.

9. **Repairs and Expenses.** During the period beginning on the Delivery Date of each Car and continuing until the termination of this Lease with respect to that Car, Lessee shall perform or cause to be performed and shall pay all costs and expenses of all Repair Work without any abatement in rent or other loss, cost or expense to Lessor. Any parts, replacements or additions permanently affixed to any Car shall be accessions to such Car and title thereto shall be immediately vested in Lessor without cost or expense to Lessor.

10. **Substitution of Cars.** Lessor may (but shall not be obligated), at any time and from time to time but only with the prior written consent of Lessee, replace any Casualty Cars with Replacement Cars and such Replacement Cars shall be deemed to be subject to all terms and conditions of this Lease from and after acceptance thereof by Lessee in accordance with Section 4 (without regard to the Inspection Deadline). The parties shall execute amendments to this Lease and such other or further documents as may be required by either party hereto to evidence the withdrawal from and termination of this Lease with respect to Casualty Cars, or to include any Replacement Cars within the terms and provisions of this Lease and any permitted assignment hereof.

11. **Abatement of Rent.** Rental payments on any Car (except any Casualty Car as provided in Section 17) shall be made without setoff or deduction of any nature or kind whatsoever and shall not abate if such Car is out of service for Repair Work nor on account of any other reason whatsoever.

12. **Insurance.** Except as provided herein, Lessee shall, during the term of this Lease and at its expense, carry and maintain, physical damage, public liability in a minimum amount of \$1,000,000.00 and all risk insurance in respect of the Cars in such amounts and with such terms as are customary under Lessee's risk management program in respect of similar equipment owned or leased by Lessee. Lessor shall be named as additional insured on all such insurance.

13. **Taxes.** During the period beginning on the Delivery Date of each Car and continuing until the termination of this Lease with respect to the Car, Lessee shall pay when due all sales and use tax, property and ad valorem taxes and all other taxes and duties of any nature imposed on Lessee's interest in the Cars or on the ownership, possession, rental, delivery, transportation or use of the Cars, together with any interest and penalties (all such taxes, duties, fees, charges, interest and penalties being hereinafter called "Impositions"); provided, however, that, except as otherwise provided, this Section shall not apply to (i) business and occupation taxes, franchise taxes, gross receipts taxes and taxes upon Lessor's capital stock imposed by the United States or any state or political subdivision thereof, or (ii) interest, fines and penalties to the extent due to the acts or omissions of Lessor. Lessee shall not be required to pay any Imposition so long as it shall in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof and Lessor's interests in the Cars or this Lease are not impaired. Lessee will file all property or ad valorem tax returns, copies of which shall be made available to Lessor upon request and upon execution of a confidentiality agreement.

14. **Liens.** Lessee covenants that it will pay and discharge, or cause to be paid and discharged, or make adequate provision for the satisfaction or discharge of, any debt, tax,

charge, assessment, obligation or claim which if unpaid might become an encumbrance, cloud, lien or charge upon any of the Cars in favor of anyone claiming by, through or under the Lessee; but this provision shall not require the payment of any such debt, tax, charge, assessment, obligation or claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings and Lessor's interests in the Cars or this Lease are not impaired. Lessee's rights and interests hereunder shall be those of a lessee only and Lessee shall not acquire any ownership or other interest in the Cars except as expressly contemplated herein.

15. **Indemnities.** Lessee will indemnify Lessor against any loss, liability, damage, claim, expense (including reasonable attorneys' fees and expenses of litigation) or injury incurred or suffered by or asserted against Lessor, arising at any time out of or relating to Lessee's use, lease, possession or operation of the Cars during the term of this Lease ("Claims"), excepting, however, any Claims accruing with respect to any of the Cars (i) to the extent arising from the negligence or intentional act or omission of Lessor, its agents or employees or from the nonperformance or default of Lessor hereunder or (ii) to the extent for which a railroad or railroads shall be obligated to assume full responsibility and satisfy same. The foregoing indemnity shall survive the termination hereof, subject to any applicable statutes of limitations.

16. **Marking; Inspection.** Lessee may affix to each Car its corporate name and its logo, the corporate name(s) and logo(s) of its parent corporation and affiliates and such other identification or reporting marking as are customary in Lessee's operations. Except as provided or that the Car is leased to the Lessee or to a lessee, no lettering or marking shall be placed upon any of the Cars by Lessee except upon the written direction or consent of Lessor. Lessor may at its own cost, expense and risk inspect the Cars at reasonable times and locations, and Lessee shall, upon request of Lessor, but no more than once every year, furnish to Lessor a list of all Cars then covered by this Lease.

17. **Events of Loss.** In the event any Car shall be or become lost, stolen, destroyed or damaged beyond economic repair, or taken or requisitioned by condemnation or otherwise (any such event being hereinafter called an "Event of Loss"), Lessee shall, promptly and fully advise Lessor with respect thereto. Within 45 days after demand by Lessor (unless extended by good faith negotiation with insurance carriers), Lessee shall pay to Lessor the Casualty Value of such Car as of the date of such payment as determined in accordance with Exhibit C hereto (such amount being referred to herein as the "Casualty Payment"). This Lease shall terminate with respect to a Casualty Car on the date Lessor shall receive notice of an Event of Loss with respect thereto, and thereafter Lessee shall have no further liability to Lessor hereunder with respect thereto excepting rental accrued through such termination, liabilities arising or existing under Sections 9, 13, 14 and 15 hereof and the liability, if any, of Lessee to make payments pursuant to this Section. Upon payment of any amounts due from Lessee under this Section, Lessor shall, except to the extent otherwise required by a handling railroad or other indemnifying party, deliver to Lessee a bill of sale to such Casualty Car transferring ownership thereof to Lessee. Provided that Lessor has received the Casualty Payment pursuant to this section, and Lessee has no further obligations hereunder to Lessor respecting the Casualty Car, Lessee shall be entitled to the proceeds of any recovery in respect of such Car from insurance maintained by Lessee.

18. **Return of Cars.** Upon the expiration or upon the termination of this Lease with respect to any Car (other than pursuant to Section 17 hereof), Lessee shall at its sole cost and expense and as promptly as practicable, surrender possession of such Car to Lessor by delivering same to Lessor at the point of original delivery or such other location as is mutually agreeable to Lessor and Lessee ("Return Point"). Each car shall be returned in satisfactory condition for movement in the normal interchange of rail traffic (ordinary Wear and tear within the meaning of the Interchange Rules excepted) and in need of no Repair Work for which Lessee is responsible under Section 9. Not later than 90 days prior to the termination of this lease, Lessor and Lessee shall make a joint inspection of the cars to determine what repair work, if any, is required and Lessee shall complete the repair work prior to termination of this lease. Lessee shall at its own expense remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by Lessor. Until return of a Car to a Return Point, Lessee shall continue to be liable for and shall pay rental in respect of such Car at the rate being paid immediately prior to termination or expiration of this Lease, and Lessee shall in addition make all other payments and keep all obligations and undertakings required of Lessee under any and all provisions of this Lease as though such termination or expiration had not occurred. Upon return of a Car at a Return Point, all rent with respect to such Car shall cease to accrue. Except as provided herein, upon the return of a Car by Lessee to a Return Point, neither Lessor nor Lessee shall have any further obligations under this Lease with respect to such Car except for any claims or liabilities accruing or arising out of or relating to circumstances, events or occurrences prior to such return.

19. **Default.** (a) By Lessee. If (i) Lessee shall fail to make any monetary payment required hereunder on time without notice that same shall have become due or (ii) Lessee shall default or fail, for a period of 20 days after receipt of written notice specifying any other default in the due observance or performance of any covenant, condition or agreement required to be observed or performed on its part hereunder, or (iii) if a proceeding shall have been commenced by or against Lessee under any bankruptcy laws, Federal or State, or for the appointment of a receiver, assignee or trustee of Lessee or its property and in the event such proceeding is against Lessee, same shall not have been dismissed within ninety (90) days, or (iv) if Lessee shall make a general assignment for the benefit of creditors (each an "Event of Default"), then and in any of said events Lessor may, in its sole discretion, terminate this Lease by written notice to such effect, and retake the Cars and thereafter recover any and all costs and expenses of termination, retaking or re-leasing, including, without limitation, reasonable attorneys' fees. Lessor may dispose of, hold, use, operate, lease to others the Cars as Lessor in its sole discretion may determine, all free and clear of any rights of Lessee and without any duty to account to Lessee. Alternatively, Lessor shall have the right, but not the obligation to terminate Lessor's right to possession without terminating this Lease, and shall have the right to lease the cars, or portions thereof, for such periods of time and at such rentals and for such use and upon such other terms and conditions as Lessor may elect, applying the net rental or avails of such letting first to the payment of Lessor's expense of gaining possession, legal expenses incurred by reason of Lessee's default, the costs of making such repairs as may be necessary in order to relet same, and to the payment of any brokerage commissions for the period of such term and any other necessary expense of the Lessor in connection with such re-letting; and the balance, if any, shall be applied by the Lessor from month to month on account of the payments due or payable by the Lessee hereunder. Lessor reserves the right to bring legal action for the recovery of any

25. **Counterparts.** This Lease may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which may be evidenced by any such signed counterpart.

26. **Entire Agreement.** This Lease sets forth the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all previous and contemporaneous agreement, arrangements, negotiations and understandings between the parties relating to the subject matter hereof.

27. **Severability - Waiver.** If any term or provision of this Lease shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances shall not be affected thereby, and each provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law. Any party's failure or delay in exercising any right, power or remedy available to such party shall not constitute a waive or otherwise affect or impair its rights to the future exercise of any such right, power, or remedy. No waiver, indulgence or partial exercise by any party of any right, power, or remedy shall preclude any further exercise thereof or the exercise of any additional right, power or remedy.

28. **Attorney's Fees.** In the event of litigation between the parties hereto arising from this Agreement, the prevailing party shall be entitled to recover from the other party all costs incurred, including, but not limited to, reasonable attorney's fees.

29. **Past Due Payments.** Any nonpayment of rentals or other sums due hereunder, whether during the period within which a default may be cured or for a longer period, and whether or not deemed a default or violation of this Lease, shall result in the obligation on the part of the Lessee to pay also an amount of interest equal to twelve percent (12%) per annum (or if such rate may not lawfully be charged, then the highest rate which may lawfully be charged) of such overdue sum for the period of time such sum is overdue and unpaid, provided that interest will not begin accruing until the tenth (10th) day after such sum becomes past due.

30. **Recording.** Upon request by Lessor, Lessee shall join in the execution of a memorandum or short form of this Lease for use in recordation under 49 U.S.C.A. Section 11303 or such other recordation as Lessor reasonably deems appropriate. Said memorandum or short form of lease may describe the parties, the Cars being leased and the term of this Lease, including any options to extend, and shall incorporate the Lease by reference.

31. **Benefit.** Except as otherwise provided herein, the covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of the parties and (to the extent permitted in Section 20 hereof) their successors and assigns. Without limiting the generality of the foregoing, the indemnities of the Lessee contained in Section 15 hereof shall apply to and inure to the benefit of any assignee of Lessor, and if such assignee is a trustee or secured party under any indenture under which evidence of indebtedness has been issued in connection with the financing of the Cars, then also to the benefit of the holder of such evidence of indebtedness.

deficits remaining unpaid as it may deem advisable from time to time, without being obliged to await the end of the term hereof for a final determination of the Lessee's account, and the commencement or maintenance of any one or more actions shall not bar the Lessor from bringing other or subsequent actions for further deficits pursuant to the provisions of this section. Provided, however, that Lessor reserves the right at any time to cancel and terminate this Lease.

(b) By Lessor. If Lessee's quiet enjoyment of any Car is disturbed by reason of the breach by Lessor of its obligations hereunder and such breach is not cured within twenty (20) days after written notice thereof from Lessee, then, at Lessee's option, Lessee may terminate this Lease with respect to the affected Car and may pursue such remedies, recourse and damages as may be available to it in law or in equity for such breach.

20. **Sublease and Assignment.** The right to assign this Lease or the Cars by either party and the Lessee's right to sublease shall exist only as follows:

(a) Except as provided in this subsection, Lessee shall not assign or sublease this Lease or any of the Cars without prior written consent of Lessor.

(b) All rights of Lessor hereunder and in and to the Cars may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part without notice to Lessee, but must be subject to any right of Lessee to use and possession in accordance with Section 5 hereof. The Cars, this Lease and Lessee's rights hereunder are and shall be subject and subordinate to any chattel mortgage, security agreement or equipment trust or other security instrument covering the Cars heretofore or hereafter created by Lessor. If Lessor shall have given written notice to Lessee stating the identity and post office address of any assignee entitled to receive future rentals and any other sums payable by Lessee hereunder, Lessee shall thereafter make such payments to the designated assignee. Notwithstanding any provision to the contrary, so long as Lessee is not in default under this Lease, Lessee's rights to quiet enjoyment in the Cars will not be disturbed pursuant to any provisions or rights granted in this section.

21. **Notice.** All notices, demands, consents or other communications required or permitted hereunder shall be in writing and shall be deemed to have been given if (i) sent by registered or certified mail, return receipt requested, postage prepaid, (ii) sent by telegraph or telex, (iii) sent by express mail or other responsible overnight delivery service or (iv) sent by telephone facsimile transmission, as follows:

To Lessor:

Grace Trust
P. O. Box 50456,
Jacksonville Beach, Fl 32240
Telecopy: (904) 246-0054
Attn: Gil Gibbs

To Lessee:

Minnesota Mining And Manufacturing Company
3M Center
Transportation Department
Bldg. 225-5N-07
St. Paul, Minnesota 55144-1000
Attn: Pat Gonda

or at such other addresses as may hereafter be furnished in writing by the respective parties if given in the manner required above. Any notice, demand, consent or communication given hereunder in the manner required above shall be deemed to have been effected and received as of (i) the date hand delivered, (ii) the date three days after posting of the mail, (iii) the date of delivery to the telegraph company or sent by telex or telephone facsimile or (iv) the day after delivery to Express Mail or other responsible overnight delivery service.

22. Warranties.

(a) LESSOR REPRESENTS, WARRANTS AND DECLARES THAT LESSOR IS THE LAWFUL OWNER OF THE CARS FREE AND CLEAR OF ALL LIENS AND ENCUMBRANCES, AND THAT THE CARS ARE IN COMPLIANCE WITH AAR INTERCHANGE RULES. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, LESSOR DOES NOT MAKE ANY OTHER REPRESENTATION OR WARRANTY OR COVENANT OF ANY KIND, EXPRESS OR IMPLIED, AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR SUITABILITY OF THE CARS IN CONNECTION WITH OR FOR THE PURPOSE AND USES OF LESSEE.

(b) The parties intend that Lessee, as the user and operator of the Cars under this Lease, shall, so long as an Event of Default shall not have occurred and be continuing, to the extent assignable, be entitled to assert the manufacturer, builder, rebuilder or supplier of the Cars or receive the benefit of to the greatest extent permitted, all rights, benefits and claims arising under any manufacturers warranty relating to the Cars or any of them. To that end, Lessor hereby assigns to Lessee for the term of this Lease only all of the rights and benefits of all warranties provided by any builder or rebuilder and/or suppliers with respect to the Cars or any part thereof, including the right to make claims thereunder. Lessee agrees to apply any funds received pursuant to a warranty to repair and improvement of the Cars.

23. Governing Law. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Florida.

24. Amendment. The terms of this Lease and the rights and obligations of the parties hereto may be changed or terminated only by agreement in writing signed by the party against whom enforcement of such change or termination is sought.

32. **Option to Purchase.** In the event that Lessee is not in default under any of the terms and conditions of this lease, Lessor does hereby also grant to Lessee the exclusive option to purchase the Cars which are the subject of this lease on the following terms and conditions:

(a) All fifteen cars will be purchased in one group at one time.

(b) Lessee may purchase the equipment on the last day of the 36th month for \$285,000 or on the last day of the 84th month for \$97,500.

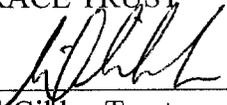
(c) Lessee will notify Lessor of its intent to exercise its purchase option at least 90 days prior to the dates in paragraph 32(b). Such notification will in writing, signed by Lessee and addressed to Lessor at the address at which rent is paid of this lease, and mailed, certified mail, return receipt requested.

(d) The conveyance at closing to Lessee, or his nominee, shall be by Bill of Sale. Cars are to be free and clear of all liens and encumbrances.

(e) If said option to purchase is exercised by Lessee it is understood that rent shall be paid by Lessee up to the date of the closing.

IN WITNESS WHEREOF, Lessor and Lessee have duly executed this Lease as of the day and year first above written.

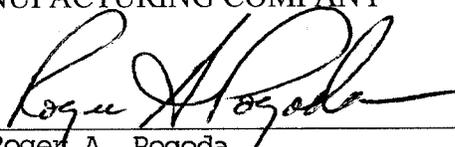
GRACE TRUST



Gil Gibbs, Trustee

"LESSOR"

MINNESOTA MINING AND
MANUFACTURING COMPANY

By: 

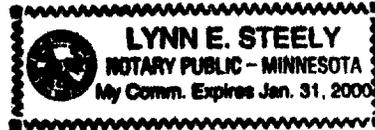
Roger A. Pogoda
Transportation Planning and Contract Manager

"LESSEE"

STATE OF MINNESOTA)
COUNTY OF RAMSEY)

On this 17 day of July, 1997 before me personally appeared Roger Pogoda to me personally known, who being by me duly sworn says that he is _____ of Minnesota Mining And Manufacturing Company, and _____, to me personally known to be the Secretary of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Lynn E. Steely
Notary Public



STATE OF FLORIDA)
COUNTY OF DUVAL)

On this 15th day of July, 1997, before me personally appeared Gil Gibbs, as Trustee of Grace Trust to me personally known, who being by me duly sworn, to me personally known, that the Trust has full power and authority to enter the contemplated transaction and be bound by the terms stated herein.

Kenneth G. Salsburg
Notary Public

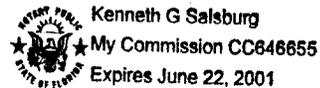


EXHIBIT "A"

Description of Cars

A quantity of fifteen (15) 3300 cubic foot, 100-ton, quick dump longitudinal door open hopper railcars bearing the following reporting marks:

MMMX 200 - MMMX 214

EXHIBIT "B"

CERTIFICATE OF ACCEPTANCE

The undersigned, a duly authorized representative of MINNESOTA MINING AND MANUFACTURING COMPANY as Lessee, for the purpose of accepting equipment that is to become subject to a Lease Agreement dated as of _____, 1997, with GRACE TRUST, as Lessor, hereby certifies that the following described unit or units of railroad equipment (the "Cars"):

Description: 3300 cubic foot, 100-ton, quick dump longitudinal door open hopper railcars.

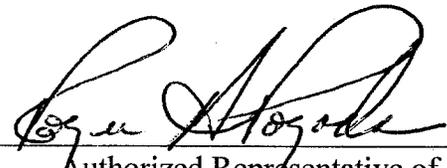
Quantity: 15

Road Numbers: MMMX 200-214

Delivered at: FSI Railcar, Mobile, Alabama.

have been delivered to and have been accepted on behalf of Lessee under the Lease Agreement as of the date indicated below.

The executive of this certificate shall not in any way reduce, limit, alter or affect any right the Lessee may have to pursue any claim, in warranty or otherwise, against the builder of the Cars for any defect, whether latent or patent.



Authorized Representative of
Minnesota Mining And
Manufacturing Company

Dated: July 17, 1997

EXHIBIT "C"

NOTE: The Casualty Value payable shall be the amount corresponding to the month in which notice of a Casualty Occurrence is given.

<u>PERIODS</u>	<u>CASUALTY LOSS</u>
1-12	\$26,000
13-24	\$23,500
25-36	\$21,000
37-48	\$18,500
49-60	\$16,000
61-72	\$13,500
73-84	\$11,000

EXHIBIT "D"

1. All door mechanisms will be inspected, patched, repaired and lubricated for proper operation. All openings will be closed by welding or patches to prevent product leakage..
2. Manganese coupler carriers will be installed where necessary.
3. Reinforcement angles will be installed hood sheets where necessary.
4. All draft systems will be inspected and repaired if necessary.
5. An electric door actuator will be re-installed at each corner of the cars. Doors will be set up to dump each end of the the car independently.
6. Trucks will be inspected and repaired where necessary.
7. All brake systems will be tested and repaired if necessary.

District of Columbia)
)
City of Washington) ss.

I, Kim L. Bartman, Notary for the District of Columbia, hereby certify that the attached "Lease Agreement" dated as of July 1, 1997, between Grace Trust and Minnesota Mining and Manufacturing Company, is a true and complete copy of the original thereof.

Certified this 6th day of August, 1997.


NOTARY PUBLIC

My Commission expires: 3-31-2000