

LAW OFFICES
MILES & STOCKBRIDGE

A PROFESSIONAL CORPORATION

CAMBRIDGE, MD
COLUMBIA, MD
EASTON, MD
FREDERICK, MD

10 LIGHT STREET
BALTIMORE, MARYLAND 21202-1487
TELEPHONE 410-727-6464
FAX 410-385-3700

McLEAN, VA
ROCKVILLE, MD
TOWSON, MD
WASHINGTON, D.C.

JOHN A. STALFORT
410-385-3424

December 8, 1998

Primary
21846
RECORDATION NO. 21846 FILED

via FEDERAL EXPRESS

Surface Transportation Board
1925 K Street, N.W.
Washington, D.C., 20423-0001
Attention: Mrs. Janice Fort

DEC 9 '98 2-58 PM

RECORDATION NO. 21846-A FILED

DEC 9 '98 2-58 PM

Re: Our File No.: 259-1903

Dear Mrs Fort:

Enclosed for recordation as a primary document pursuant to the provisions of 49 U.S.C. §11301(a) are one original and one notarized copy of the following document:

Master Lease Agreement entered as of February 1, 1997, between Railcar, Ltd. (1819 Peachtree Road, N.E., Suite 455, Atlanta, Georgia 30309-1847) and Dakota, Minnesota & Eastern Railroad Corporation (P.O. Box 178, 337 Twenty-Second Avenue, South, Brookings, South Dakota 57006)

Also enclosed for recordation as a secondary document pursuant to the provisions of 49 U.S.C. §11301(a) are one original and one notarized copy of the following document:

Assignment of Lessor's Interest in Lease made as of November 30, 1998 by Railcar, Ltd. (1819 Peachtree Road, N.E., Suite 455, Atlanta, Georgia 30309-1847) and Progress Rail Services Corporation (P.O. Box 1037, Albertville, Alabama 35950) in favor of The First National Bank of Maryland (25 South Charles Street, Baltimore, Maryland 21201) which relates to the above-referenced Master Lease Agreement

Also enclosed is a check to cover the costs of recording the enclosed documents.

Upon recordation, please return the recorded documents to the undersigned.

Thank you for your prompt attention to this matter. If you have any questions, please call me at (800) 344-2532.

Sincerely,

A handwritten signature in black ink that reads "Michele E. Sperato". The signature is written in a cursive style with a large, sweeping initial "M".

Michele E. Sperato
Assistant to John A. Stalfort

Enclosures

RECORDATION NO. 21846 FILED

DEC 9 '98 2-58 PM

STATE OF MARYLAND
SS:
CITY OF BALTIMORE

THIS IS TO CERTIFY that the attached Master Lease Agreement is a true and complete copy of said Master Lease Agreement.

WITNESS my hand and seal this 8th day of December, 1998.

Michelle E. Sperato
Notary Public

My Commission Expires: January 28, 2001

DEC 9 '98 2-58 PM

MASTER LEASE AGREEMENT

MASTER LEASE AGREEMENT ("Lease") entered as of February 1, 1997, between Railcar, Ltd., a Georgia corporation acting as principal and/or agent for owners, to be identified in the applicable Schedule as defined below (hereinafter called "Lessor"; Railcar, Ltd. and such owners are collectively referred to as Lessor from time to time in this Lease, except that, as the context may require, Lessor shall mean, with respect to any Car, the owner of said Car identified on each Schedule or Railcar, Ltd. in its management and agent capacity with respect to such Car), and Dakota, Minnesota & Eastern Railroad Corporation (hereinafter called "Lessee").

RECITALS

WHEREAS, Lessor owns certain railroad freight car equipment, hereinafter more specifically identified as the "Cars," as more particularly described on each Schedule attached hereto, executed by the parties concurrently herewith or at any time hereafter. All the Schedules shall be subject to any and all of the covenants, conditions, terms, warranties, representations and other provisions set forth herein, as the same may from time to time be amended. Each Schedule shall be substantially in the form annexed hereto as "Schedule No. 1" but may contain such additional supplementary provisions as Lessor and Lessee may agree upon. Each Schedule, incorporating by reference the terms and conditions of this Lease Agreement, constitutes a separate instrument of lease and shall be deemed separately enforceable by either party hereto under this Lease and in accordance with any supplementary provisions which may be contained in such Schedule. The terms and provisions of each Schedule shall control, as to the Cars listed on such Schedule, over any inconsistent or contrary terms and provisions in the body of this Lease.

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:

"AAR" shall mean the Association of American Railroads.

"Car Hire" shall mean compensation paid to an owner of car marks for use of a Car by a rail carrier in possession of a Car of which it is not the owner. Such compensation may include, but need not be limited to, hourly and mileage rates.

"Cars" shall mean the equipment identified on the applicable Schedule. 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 Payment" has the meaning set forth in Section 18 hereof.

"Casualty Value" for any Car shall be the amount set forth in Exhibit C to the applicable Schedule.

"Certificate of Acceptance" shall mean a certificate of acceptance substantially in the form of Exhibit A 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 18 hereof.

"Fixed Rent" as to any Car shall mean the amount of monthly rent per Car as set forth on the applicable Schedule.

"Including" means including without limitation.

"Initial Term" shall mean the period commencing on the Commencement Date and ending on the date specified on the applicable Schedule.

"Interchange Rules" shall mean all codes, rules, interpretations, laws and orders governing hire, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, as adopted and in effect from time to time by the AAR and any other organization, association, agency or governmental authority, including the Surface Transportation Board and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, interpretations, laws or orders.

"Interim Rent" shall mean, with respect to any Car to which Interim Rent applies, an amount of daily rent per Car as set forth on the applicable Schedule.

"Repair Work" shall mean all repairs, maintenance, modifications, additions or replacements required to keep and maintain the Cars in compliance with all Interchange Rules and in satisfactory condition for movement in the normal interchange of rail traffic (excepting ordinary wear and tear within the meaning of the Interchange Rules).

"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.

"Schedule" has the meaning set forth in Section 2 hereof.

2. Lease of Cars. Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, the railroad cars identified in one or more schedules in substantially the form of the document entitled "Schedule No. 1" attached hereto and executed by the parties contemporaneously herewith or from time to time hereafter (each such schedule, a "Schedule"). Each Schedule shall constitute a part of this Lease. 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 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.

3. Delivery of Cars

(a) Lessor shall deliver the Cars as promptly as is reasonably practicable. Lessor shall suffer no bias if all of the Cars as set forth on the applicable Schedule are not delivered hereunder due to circumstances beyond the control of Lessor, and this Lease shall be effective with respect to that number of Cars actually delivered.

(b) Lessor agrees to deliver the Cars to Lessee at a mutually agreed to location designated in the applicable Schedule and each Schedule will designate which party shall be responsible for delivery charges, if any. From and after acceptance of a Car by Lessee, Lessee shall be liable for all costs, charges and expenses of any kind whatsoever on account of or relating to switching, demurrage, detention, storage, transportation or movement of a Car during the term of the Lease with respect to any Car.

4. Condition of Cars: Acceptance. Lessee shall, by no later than one week after notification by Lessor that the Cars are ready for acceptance (the "Inspection Deadline"), have its authorized representative or agent inspect such Cars at the point of delivery and accept or reject them as to condition and compliance with the specifications as outlined on Exhibit B attached to the applicable Schedule. Cars so inspected and accepted, and Cars which are available for inspection but are not inspected by the Inspection Deadline 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. 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 A.

5. Use and Possession. Throughout the continuance of this Lease, so long as Lessee is not in default hereunder, Lessee shall be entitled to possession of each Car from the Delivery Date as to such Car. The Cars are to be used only in the service as specified on the applicable Schedule and shall not under any circumstances be used for any other purpose without the prior written consent of Lessor. Lessor, for itself, its successors and assigns, covenants that Lessee and its successors and permitted sublessees 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 (i) in conformity with the Interchange Rules, (ii) in a careful

and prudent manner, solely in a use, service and manner for which the Cars were designed, (iii) in compliance with applicable laws, and (iv) other than incidental use in Canada or Mexico, exclusively in the continental United States of America unless expressly agreed otherwise in writing with Lessor. Lessee shall not use, or permit the use of, the Cars for loading, storage, or hauling any hazardous, toxic, corrosive or radioactive substances. Lessee also agrees not to load any of the Cars in excess of the load limit stenciled thereon. In order to avoid recapture of any tax benefit claimed by Lessor with respect to the Cars, including any deduction allowable under Section 168 and related sections of the Internal Code of 1986, as amended, or any comparable successor law (the "Code"), even if Lessor agrees in writing that Lessee is not required to use the Cars exclusively in the United States, Lessee shall use and shall cause third parties whose use Lessee can control to use the Cars predominantly within the United States (but in any event the Cars shall be used in the United States for not less than 185 days during any consecutive 12 month period), in accordance with the Code. If any of the Cars are used outside the continental United States, Lessee shall indemnify and reimburse Lessor for any customs duties, taxes, loss of tax benefits, or other expenses resulting from such use.

6. Term. Except as otherwise provided herein with respect to early termination or cancellation and Events of Loss, the term of this Lease as to each Car shall be the Initial Term. 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. With respect to each 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 or other termination of this Lease as to such Car.

8. Payment. 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 to Lessor in advance on the Commencement Date and thereafter on the first day of each succeeding month during the Initial Term. Lessee shall send all Interim Rent and all Fixed Rent payments to Lessor at the address provided in the applicable Schedule, or at such other place as Lessor may specify in a written notice delivered to Lessee.

9. Car Hire. Except as provided in the applicable Schedule, Lessee shall have the right to negotiate bilateral or multilateral contracts concerning Car Hire for the Cars and to avail itself of any other rights of a car owner under the rail industry's Code of Car Hire Rules; provided, however, that (i) such contracts and rights shall apply to a Car only during such time as the Car is subject to this Lease, and (ii) Lessee shall not, without Lessor's prior written consent,

voluntarily elect to deprecise any Car subject to this Lease by designating any Car a "market rate car" pursuant to the rules and regulations of the Surface Transportation Board, including the provisions of 49 CFR 1033.1(b)(3) or any successor thereto.

10. Repairs and Maintenance. Repair Work shall be the responsibility of the party as set forth on the applicable Schedule and as provided in this Section 10:

(a) If Lessor is designated as the party responsible for Repair Work pursuant to the applicable Schedule, Lessee will nevertheless be responsible for Repair Work resulting from (i) use not permitted by this Lease, and (ii) negligence or willful misconduct on the part of the Lessee. Lessee shall not repair or authorize the repair of any of the Cars without Lessor's prior written consent, except that "running repairs" (as specified in the Interchange Rules) may be performed by railroads or hauling carriers without Lessor's prior written consent. If repairs not included within the scope of running repairs become necessary, Lessee shall contact Lessor's office for authorization. Lessor shall have no responsibility for Repair Work hereunder unless and until informed of the need for Repair Work (other than running repairs). Lessor may require Lessee to deliver the Car to such place as Lessor designates for all Repair Work (other than running repairs) or work Lessor elects to effect for preventive measures, and Lessor may terminate this Lease with respect to any Car as to which it deems Repair Work to be unsuitable or uneconomical.

(b) If Lessee is responsible for Repair Work pursuant to the applicable Schedule, Lessee shall at its expense cause such Repair Work to be performed in a timely manner.

(c) Except as Lessor and Lessee may otherwise agree in writing, if any alteration, improvement, or addition to a Car is made pursuant to the Interchange Rules, the alteration, improvement, or addition shall become a permanent accession of the Car and title thereto shall vest in Lessor.

11. 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 (which consent will not be unreasonably withheld), 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 reasonably 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.

12. No Abatement of Rent. Lessee shall make all rental and other payments hereunder without setoff, deduction, or recoupment of any nature or kind whatsoever, and rental and other amounts owing by Lessee hereunder shall not abate for any other reason; provided, however, if a Car remains in a repair shop for Repair Work which is the responsibility of Lessor as provided in Section 10(a) above beyond seven (7) days, the Rental payment shall abate beginning with the eighth day until the Car is returned to service.

13. Insurance. Insurance shall be the responsibility of the party as set forth on the applicable Schedule:

(a) If Lessee is responsible for insurance pursuant to the applicable Schedule, then at all times prior to the return of the Cars to Lessor in accordance with the terms of this Lease, with respect to the Cars and their handling, usage, and possession, Lessee, at its sole expense, shall provide and maintain public liability and property damage insurance of the types and in the amounts indicated in the applicable Schedule. Lessee shall designate Lessor as an additional insured for the full amount. Lessee shall furnish to Lessor at Lessor's request copies of policies or certificates evidencing insurance coverage required by this Lease. All such insurance policies issued by third-party insurers shall contain an endorsement providing that the insurer will not cancel or amend the policy without first giving at least 30 days' prior written notice to Lessor. If Lessee fails to maintain insurance as required herein, Lessor, at its option, may provide such insurance and, in that event, upon Lessor's demand Lessee shall reimburse Lessor for the cost thereof. Notwithstanding the foregoing, Lessee may self-insure in a manner customary under Lessee's risk management program.

(b) If Lessor is responsible for insurance pursuant to the applicable Schedule, then Lessee shall still be responsible for all obligations set forth in Section 13(a) except for the following which shall be the responsibility of Lessor: Lessor shall provide and maintain at its sole cost and according to its standard practice (including, as applicable, self-insurance), public liability and property damage insurance coverage on each Car in the amounts indicated in the applicable Schedule.

14. Taxes. Taxes shall be the responsibility of the party as set forth on the applicable Schedule:

(a) If the Lessee is responsible for taxes pursuant to the applicable Schedule, then for 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 be responsible for the filing and payment when due of all Taxes. For purposes of this Section, "Taxes" means taxes, assessments, and other governmental charges of whatsoever kind or character (including ad valorem and other property taxes, sales and use taxes, excise taxes, and withholding taxes) that may be accrued, levied, assessed, or imposed on any Car or resulting from the lease, possession, operation, or use of any Car or rentals or other amounts paid on or with respect to any Car (including payments in the event of a casualty), except for taxes on or measured by Lessor's income or fees for Lessor to qualify for doing business in any jurisdiction.

(b) If Lessor is responsible for taxes pursuant to the applicable Schedule, then Lessee shall still be responsible for all obligations set forth in Section 14(a) except for the following which shall be the responsibility of Lessor: Lessor shall pay all property and ad valorem taxes assessed or levied against the Cars and shall file all property and ad valorem tax returns with respect to the Cars. Lessor shall furnish Lessee with a copy of all property and ad valorem tax returns and evidence of payment made thereunder upon request by Lessee.

15. 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.

16. Indemnity. Lessee will indemnify and hold harmless Lessor on an after-tax basis from and against any loss, liability, damage, claim, expense (including reasonable attorneys' fees and expenses of litigation) or injury of any nature or kind 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, including (without limitation) loss, liability, damage, claim and expense arising under any applicable law, rule or regulation relating to the environment, natural resources or human health and safety ("Claims"), excepting only, however, any Claims accruing with respect to any of the Cars (i) to the extent attributable to the negligence or intentional act or omission of Lessor, its agents or employees or the nonperformance or default of Lessor or (ii) to the extent for which a railroad or railroads shall be obligated to assume full responsibility and satisfy same. Lessee shall, at its own cost and expense, defend any and all suits which may be brought against Lessor, either alone or in conjunction with others upon any such liability or claim or claims and shall satisfy, pay and discharge any and all judgments and fines that may be recovered against Lessor in any such action or actions, provided, however, that Lessor shall give Lessee written notice (as soon as it is reasonably practicable after Lessor has notice thereof) of any event, claim, or action as to which Lessee's indemnity obligations run, and shall cooperate reasonably with Lessee in any defense which Lessee may make with respect to any such event, claim, or action. The foregoing indemnity shall survive the termination or cancellation hereof.

17. 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 markings as are customary in Lessee's operations. Except as provided in this Section and except for renewal and maintenance of lettering indicating the rights of Lessor or that the Car is leased to the Lessee or to a sublessee, no other lettering or marking shall be placed upon any of the Cars by Lessee except upon the written direction or with the consent of Lessor. Lessor may at its own cost and expense inspect the Cars at reasonable times and locations. Lessee shall not be liable for any personal injury, property damage or wrongful death arising as a result of any inspection of the Cars by Lessor or its agents during or after the term of this Lease, and Lessor shall be fully responsible for its acts and the acts of its agents in connection with any such inspection, unless caused by Lessee's negligence or willful misconduct. Lessee shall, upon written request of Lessor, but no more than once every year, furnish to Lessor a list of all Cars then subject to this Lease.

18. Events of Loss. In the event that 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 notify Lessor with respect thereto. Within forty-five (45) days after written demand by Lessor, Lessee

shall pay to Lessor the greater of the Casualty Value of such Car as of the date of such payment as determined in accordance with Exhibit C to the applicable Schedule or the amount owed from a handling railroad or other party under and pursuant to the Interchange Rules (such greater amount being referred to herein as the "Casualty Payment"). Lessee's rental obligations with respect to a Casualty Car shall terminate on the date Lessor shall receive Lessee's notice of an Event of Loss with respect thereto. Upon Lessor's receipt of the Casualty Payment, this Lease shall terminate with respect to the Casualty Car; provided, that all unsatisfied obligations (including obligations for accrued rental, liabilities arising or existing under Sections 10, 14, 15 and 16 hereof, and the liability, if any, of Lessee to make payments pursuant to this Section) shall survive the termination contemplated by 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 (without warranty) 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.

19. Return of Cars. Upon the expiration or upon the termination or cancellation of this Lease with respect to any Car (other than pursuant to Section 18 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 a mutually agreed upon point as identified on the applicable Schedule ("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 10 and free from all accumulations or deposits from commodities transported in or on the Cars while in the service of Lessee and in compliance with any return conditions specified in the applicable Schedule. If any Car is not returned to Lessor free from such accumulations or deposits, Lessee shall reimburse Lessor for any expense incurred in cleaning such Car. Lessor shall have the right to return to Lessee at Lessee's expense, any material removed from said Cars. 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. Notwithstanding any provision herein to the contrary, upon request of Lessor, Lessee shall, following termination or cancellation of this Lease with respect to any Car, provide up to sixty (60) days free storage on Lessee's trackage, if any.

20. Default.

(a) Event of Default. Any of the following shall constitute an "Event of Default" hereunder: (i) Lessee shall fail to make any payment required hereunder within 10 days after same shall have become due, or (ii) Lessee shall default or fail, for a period of 20 days after receipt of written notice specifying such default, in the due observance or performance of any material covenant, condition or agreement required to be observed or performed on its part hereunder (other than non-payment), or (iii) if a proceeding shall have been commenced by or

against Lessee under any bankruptcy laws, federal, State or any political subdivision, or for the appointment of a receiver, assignee or trustee of Lessee or its property, or (iv) if Lessee shall make a general assignment for the benefit of creditors.

(b) Cancellation of Lease. If an Event of Default occurs, Lessor may, in its sole discretion, cancel this Lease by written notice to such effect and retake the Cars. Lessor shall thereafter recover from Lessee any and all amounts which under the terms of this Lease may then be due or may have accrued to the date of such cancellation and, in addition, recover from Lessee as liquidated damages any and all costs and expenses of termination, retaking and reselling or releasing the Cars (including reasonable attorneys' fees) plus the Lost Benefit of the Bargain. The Lost Benefit of the Bargain shall equal the present value (using a discount rate of _____ percent of all rental for the unexpired balance of the Initial Term unpaid as of said date of cancellation, reduced by the present value (using a discount rate of _____ percent of the fair market rental value of the Cars for the unexpired balance of the Initial Term as of said date, whether or not such Cars are relet or otherwise disposed of. Fair market rental value will be equal to zero for any Car not returned by Lessee. If any Car is not returned, Lessee shall also pay the Casualty Value as of the date of cancellation. Lessor may sell the Cars at public or private sale, with or without notice, advertisement, or publication, as Lessor may determine, or otherwise dispose of, hold, use, operate or 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. The parties acknowledge that actual damages in the case of an Event of Default are difficult or impossible to estimate and that the liquidated damages in this subsection (b) are not a penalty and are a reasonable pre-estimate of the probable loss in light of the anticipated harm caused by the Event of Default.

(c) Remedies Cumulative. The rights and remedies in this Lease shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other rights and remedies existing at law or in equity, including all rights and remedies available under Article 2A of the Uniform Commercial Code of the United States of America for any default under this Lease or under Article 2A (including Section 2A - 523(1)(a) through (f) thereof), which shall be available in the case of any Event of Default or other default regardless of its nature.

(d) Survival. The obligation to pay any deficiency or any sum or sums due and unpaid or any damages suffered by reason of Lessee's default hereunder shall survive the cancellation of the Lease and the retaking of the Cars.

(e) Performance on behalf of Lessee. Without limiting Lessor's rights hereunder upon an Event of Default, in the event that Lessee shall fail duly and promptly to perform any of its obligations under this Lease, Lessor may, at its option, perform the same for the account of Lessee without thereby waiving such default, and any amount paid or expense (including reasonable attorneys' fees), penalty or other liability incurred by Lessor in such performance, together with interest at the rate of _____ per month thereon (but in no event greater than the highest rate permitted by relevant law) until paid by Lessee to Lessor, shall be payable by Lessee upon demand as additional rent for the Cars.

21. 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) Lessee shall not assign or sublease this Lease or any of the Cars without the prior written consent of Lessor, which consent shall not be unreasonably withheld.

(b) All rights of Lessor hereunder and in the Cars may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part without notice to Lessee. 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 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 in this Section 21(b) to the contrary, so long as Lessee is not in default under this Lease, Lessee's right to quiet enjoyment in the Cars will not be disturbed pursuant to any provisions or rights granted in this Section 21(b).

The making of an assignment or sublease by Lessee or an assignment by Lessor shall not serve to relieve such party of any liability or undertaking hereunder nor to impose any liability or undertaking hereunder upon any such assignee or sublessee except as otherwise provided herein or unless expressly assumed in writing by such sublessee or assignee.

22. 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, to the address set forth in the applicable Schedule or to 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.

23. Warranties.

(a) EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, LESSEE ACKNOWLEDGES THAT LESSOR HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION OR WARRANTY OR COVENANT OF ANY KIND, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION, WARRANTY OR COVENANT WITH RESPECT TO MERCHANTABILITY, CONDITION, DESIGN, WORKMANSHIP, QUALITY, DESCRIPTION, DURABILITY, QUIET ENJOYMENT, INFRINGEMENT, COURSE OF DEALING OR USAGE OF TRADE, FITNESS FOR A PARTICULAR PURPOSE OR SUITABILITY OF THE CARS IN ANY RESPECT OR IN CONNECTION WITH OR FOR

THE PURPOSES AND USES OF LESSEE OR UNDER ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE (INCLUDING, WITHOUT LIMITATION, UNDER SECTIONS 2A - 210, 211, 212 AND 213, OR OTHERWISE).

(b) LESSOR SHALL NOT BE LIABLE IN ANY EVENT OR UNDER ANY CIRCUMSTANCES, IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE, FOR ANY LOSS OF BUSINESS OR OTHER CONSEQUENTIAL, SPECIAL, COLLATERAL, EXEMPLARY, INDIRECT OR INCIDENTAL DAMAGES OF ANY KIND RESULTING FROM OR RELATING TO THE MANUFACTURE, LEASE, USE, POSSESSION OR OPERATION OF THE CARS OR THE BREACH OF ANY WARRANTY OR OF ANY OF THE PROVISIONS OF THIS AGREEMENT, OR ARISING BY REASON OF ANY IMPERFECTION OR DEFECT IN THE CARS, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

24. Governing Law. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Georgia (without giving effect to any choice- or conflict-of-laws rule that would cause the application of the laws of any jurisdiction other than the State of Georgia).

25. 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.

26. 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.

27. 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 agreements, arrangements, negotiations and understandings between the parties relating to the subject matter hereof.

28. 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 other 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 to exercise or delay in exercising any right, power or remedy available to such party shall not constitute a waiver 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.

29. Past Due Payments, Etc. 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 _____ percent _____ 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. If any action at law or in equity is necessary to enforce the terms of this Lease, including the collection of any amounts owing hereunder, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

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 11301 or such other recordation (including recordation with the Registrar General of Canada) as Lessor reasonably deems appropriate. Such 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 expressly 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 provided in Section 21 hereof) their successors and assigns. Without limiting the generality of the foregoing, the provisions of Section 12 hereof and the indemnities of the Lessee contained in Section 16 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.

32. Jurisdiction. Each party to this Lease agrees that any action or proceeding arising out of or relating to this Lease may be brought in any state court within Fulton County, Georgia, or any federal court within the Northern District of Georgia, Atlanta Division. Each party hereby submits to the jurisdiction of each such court and waives whatever rights may correspond to it by reason of its present or future domicile. In particular, each party waives any objection that it may have to the conduct of any action or proceeding in any such court based on improper venue or forum non conveniens. Nothing herein shall affect any right a party may have to commence legal proceedings or otherwise proceed against another party in any other jurisdiction or to serve process in any manner permitted or required by law.

33. True Lease. The parties intend this Lease and the transactions contemplated thereby to create a true lease. If it should nonetheless be determined that the transaction is a sale, then Lessee shall be deemed to have granted to Lessor a security interest in the Cars (to secure the full payment and performance of all of Lessee's obligations hereunder), and Lessor shall be entitled to all rights and remedies of a secured party under all applicable laws, including the Uniform Commercial Code. Lessee shall execute and deliver to Lessor such documents as Lessor may request from time to time to support the treatment of the transaction as a true lease and to perfect, establish, or give notice of Lessor's interest in the Cars, including affidavits of true lease and precautionary financing statements and other filings.

34. Lessor's Agency Role. With respect to certain Cars identified in Schedules, (i) Lessor in executing this Lease is acting as agent for the owners of the Cars, and all references herein to Lessor with respect to such Cars shall be construed to bind only the owners of the Cars

and not Lessor as a principal, and (ii) Lessor represents and warrants that it is duly authorized to enter into this Lease as agent on behalf of the owners of such Cars.

35. Representations and Warranties of Lessee. Lessee represents and warrants that:

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation, and has taken all corporate action necessary validly to enter into this Lease and carry out its obligations hereunder;

(b) This Lease has been duly executed on behalf of Lessee and constitutes the legal, valid and binding obligation of Lessee, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally and the exercise of judicial discretion in accordance with general principles of equity;

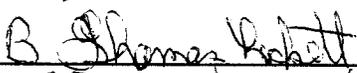
(c) The Cars which are subject to this Lease are held by Lessee under and subject to the provisions of this Lease prior to any lien, charge or encumbrance in favor of anyone claiming against the Cars by, through or under Lessee; and

(d) No governmental, administrative or judicial authorization, permission, consent or approval is necessary on the part of Lessee in connection with this Lease or any action contemplated on its part thereunder.

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

LESSOR:
RAILCAR, LTD.

By: 
Name/Title: Eugene H. Martini / EUP

Attest: 
Name/Title: B. THOMAS LOCKERT / CONTROLLER

[CORPORATE SEAL]

LESSEE:
DAKOTA, MINNESOTA & EASTERN
RAILROAD CORPORATION

By: _____
Name/Title: _____

Attest: _____
Name/Title: _____

[CORPORATE SEAL]

and not Lessor as a principal, and (ii) Lessor represents and warrants that it is duly authorized to enter into this Lease as agent on behalf of the owners of such Cars.

35. Representations and Warranties of Lessee. Lessee represents and warrants that:

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation, and has taken all corporate action necessary validly to enter into this Lease and carry out its obligations hereunder;

(b) This Lease has been duly executed on behalf of Lessee and constitutes the legal, valid and binding obligation of Lessee, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally and the exercise of judicial discretion in accordance with general principles of equity;

(c) The Cars which are subject to this Lease are held by Lessee under and subject to the provisions of this Lease prior to any lien, charge or encumbrance in favor of anyone claiming against the Cars by, through or under Lessee; and

(d) No governmental, administrative or judicial authorization, permission, consent or approval is necessary on the part of Lessee in connection with this Lease or any action contemplated on its part thereunder.

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

LESSOR:
RAILCAR, LTD.

By: _____
Name/Title: _____

Attest: _____
Name/Title: _____

[CORPORATE SEAL]

LESSEE:
DAKOTA, MINNESOTA & EASTERN
RAILROAD CORPORATION

By: Kurt V. Feaster
Name/Title: Kurt V. Feaster, Chief Financial Officer
Treasurer & Ass't Secretary

Attest: Keith Kupiec
Name/Title: Keith Kupiec GM Railcar Fleet

[CORPORATE SEAL]

EXHIBIT A TO MASTER LEASE AGREEMENT

CERTIFICATE OF ACCEPTANCE

The undersigned, a duly authorized representative of Dakota, Minnesota & Eastern Railroad Corporation ("Lessee"), for the purpose of accepting equipment that is to become subject to a Master Lease Agreement dated as of February 1, 1997, between Lessee, as Lessee, and Railcar, Ltd., as Lessor (the "Equipment Agreement"), hereby certifies that the following described unit or units of railroad equipment (the "Equipment"):

Description:

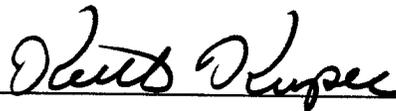
Quantity:

Road Numbers:

Delivered at:

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

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



Authorized Representative of:

Dakota, Minnesota & Eastern Railroad Corporation

Dated: _____, 199__

SCHEDULE NO. 1

This Schedule No. 1 is hereby made a part of the Master Lease Agreement dated as of February 1, 1997, between Railcar, Ltd., as Lessor, and Dakota, Minnesota & Eastern Railroad Corporation, as Lessee.

Lessor's Agency Role. As to all of the Cars identified in this Schedule, Lessor is acting as agent for the owner of the Cars, which is Progress Rail Services Corporation, an Alabama corporation.

Number of Cars: Forty two (42).

Description of Cars: 60-foot, 70-ton, plate B, cushion under frame, used boxcars.

Car Marks and Numbers: The reporting marks and numbers of Lessee set forth on the exhibit attached hereto and entitled "Description of Railcars." See also "Stenciling," below.

Ending Date for Initial Term: November 30, 2000.

Fixed Rental Rates: Not applicable.

Interim Rental Rates: Not applicable.

Entitlement to Car Hire: Subject to the provisions below concerning excess per diem allowances, Lessor, and not Lessee, shall be entitled to all Car Hire (including but not limited to mileage allowances and per diem allowances) generated by the Cars. Lessee shall promptly pay over to Lessor all Car Hire received by Lessee with respect to the Cars, and Lessee shall use reasonable efforts to cooperate with and assist Lessor in collecting Car Hire generated by the Cars. All Car Hire received by Lessee with respect to the Cars shall be held in trust (and shall not be commingled with Lessee's own funds or general assets) for the benefit of Lessor. Lessee shall instruct Lessee's car hire agent to remit payment for the Cars directly to Lessor within the same time frame as Lessee's car hire agent pays Lessee for other cars operating under Lessee's reporting marks, but in no case later than forty five (45) days following the end of the month in which the Car Hire was collected. At no time while the Cars are in the possession of Lessee or used or handled on Lessee's trackage will the Cars be subject to A.A.R. Rule 22 or any other type of reclaim or setoff of any nature which could dilute the earnings of the Cars. For purposes of this Schedule, Paragraph 9 of the Lease (entitled "Car Hire") is amended to read as follows: "Except as expressly authorized in the applicable Schedule, Lessee shall not have the right to negotiate bilateral or multi-lateral contracts concerning Car Hire for or any other third-party payments with respect to the Cars or to authorize any type of reclaim or diminishment of the earnings of the Cars or to avail itself of any other rights of a car owner under the rail industry's Code of Car Hire Rules."

Excess Per Diem Allowances. As soon as practicable after the end of each calendar year during the term of the Lease (and after the expiration of the term of the Lease, if the end of the lease term does not coincide with the end of a calendar year), Lessor will remit to Lessee an amount equal

to the amount, if any, by which the aggregate, actually collected per diem Car Hire for the Cars (net of any reclaims) for that calendar year (or stub period, as applicable) exceeded an average of _____ per Car per month. All mileage Car Hire shall be for the account of Lessor.

Bilateral Agreements. Lessee shall use its best efforts, including a “best and final” offer, to induce all railroads that use the Cars to agree to pay Car Hire at the following minimum rates: _____ per hour and _____ per mile. (Without such agreements the Cars would earn only _____ per hour in per diem and _____ per mile for mileage.)

Termination for Underutilization. If the aggregate per diem Car Hire earned by any Car or group of Cars (net of any reclaims) over any period of three (3) consecutive months is less than _____ per Car, that is, an average of _____ per Car per month (“Minimum Utilization”), Lessor may at any time thereafter terminate the Lease with respect to that Car or group of Cars by written notice to Lessee, unless prior to Lessor’s giving of the notice of termination Lessee has cured the underutilization for the applicable three-month period by paying to Lessor an amount that, when added to the per diem Car Hire payments paid to Lessor for the Car or group of Cars for the applicable three-month period, would yield a return to Lessor reflecting the Minimum Utilization of the Car or group of Cars over the applicable three-month period.

Supply Provision. During the term of the Lease, Lessee shall not lease any additional 60-foot, 70-ton boxcars from any other lessor if the addition of such other cars might cause the Cars to fail to achieve the Minimum Utilization (as defined in this Schedule) as determined in good faith by Lessor.

Required Repairs or Other Work; Specifications: N/A. (Accordingly, no Exhibit B is attached to this Schedule.)

Delivery and Acceptance: Lessee acknowledges that the Cars are already in Lessee’s possession and service. Lessee has accepted all of the Cars and shall issue and deliver to Lessor a Certificate of Acceptance in the form of Exhibit A attached to the Master Lease Agreement.

Permitted Use of Cars: Lessee shall place and retain the Cars in service in Lessee’s general fleet of railroad cars. Lessee may assign the Cars to various pools of railroad cars as determined by Lessee.

Return Point: An interchange point on Lessee’s trackage in the continental United States of America as directed by Lessor.

Address for Payments to Lessor: Railcar, Ltd., 1819 Peachtree Road, N.E., Suite 455, Atlanta, Georgia 30309-1847.

Addresses for Notices:

If to Lessor, to: Railcar, Ltd.
1819 Peachtree Road, N.E., Suite 455
Atlanta, Georgia 30309-1847
Attn: President
Telecopier: (404) 352-6798

If to Lessee, to: Dakota, Minnesota & Eastern Railroad Corporation
P.O. Box 178
337 Twenty-Second Avenue, South
Brookings, South Dakota 57006
Attn: Director of Distribution
Telecopier: (605) 697-2499

Repairs & Maintenance Responsibility (subject to § 10): Lessor. Without limiting any other obligations Lessee may have under Section 10 of the Lease, Lessee shall be responsible for AAR-mandated running repairs. Lessor shall be responsible for and shall pay the costs, expenses, and charges for all Repair Work for which Lessor is responsible, including any amounts that under Rule 8 of the A.A.R. Car Hire Rules Lessee would be entitled to reclaim against Car Hire (otherwise payable to Lessor pursuant to the Lease) as compensation for time out of service for Repair Work for which Lessor is responsible.

Taxes Responsibility (subject to § 14): Lessor.

Insurance Responsibility (subject to § 13): Pursuant to Section 13 of the Lease (but without limiting any other rights or obligations thereunder), Lessor shall be responsible for the following coverages:

X public liability and physical damage insurance with respect to the Cars in such amounts and with such terms as are customary under Lessor's risk management program, including, as applicable, self-insurance.

Stenciling: Lessee, at its expense and without abatement of rent, shall cause each Car to be stenciled with Lessee's running marks (alpha marks only) as set forth in this Schedule and shall reprogram the AEI Tags to conform to those markings. In the event that Lessee changes or permits to be changed the identifying numbers of the Cars or any other markings of ownership of the Cars, a statement of new identifying numbers or markings to be substituted therefor shall be (i) furnished to Lessor and (ii) filed, recorded and deposited by Lessee in all public offices where this Lease Agreement shall have been filed, recorded and deposited. Except as provided above, Lessee will not allow the name of any person, association or corporation to be placed on any Car as a designation that might be interpreted as a claim of ownership; provided, however, that the Cars may be lettered with the names or initials or other insignia customarily used by Lessee, its affiliates or any authorized sublessee. Upon termination of this Lease Agreement as

to any Car, Lessee, at its expense, shall remove Lessee's AEI Tags and restencil each Car with running marks and identifying numbers provided by Lessor and reprogram the AEI Tags to conform to those markings.

Casualty Values: See Exhibit C ("Casualty Value Exhibit") attached hereto.

Default: Cancellation of Lease. For purposes of this Lease the parties hereby amend Section 20(b) by replacing the second, third, and fourth sentences thereof with the following: "Lessor shall thereafter recover from Lessee any and all amounts which under the terms of this Lease may then be due or may have accrued to the date of such cancellation and, in addition, recover from Lessee as liquidated damages any and all costs and expenses of termination, retaking and reselling or re-leasing the Cars (including reasonable attorneys' fees)."

Miscellaneous: All capitalized terms used in this Schedule shall, unless otherwise indicated, have the definitions set forth in the Lease. Wherever there may be conflicts or inconsistencies between the terms and conditions of this Schedule and the terms and conditions of the Lease, the terms and conditions of this Schedule shall prevail.

LESSOR:

RAILCAR, LTD

By: 
Name/Title: Eugene H. Martini / EVP

Dated as of February 1, 1997

LESSEE:

DAKOTA, MINNESOTA & EASTERN
RAILROAD COMPANY

By: _____
Name/Title: _____

Dated as of February 1, 1997

to any Car, Lessee, at its expense, shall remove Lessee's AEI Tags and restencil each Car with running marks and identifying numbers provided by Lessor and reprogram the AEI Tags to conform to those markings.

Casualty Values: See Exhibit C ("Casualty Value Exhibit") attached hereto.

Default; Cancellation of Lease. For purposes of this Lease the parties hereby amend Section 20(b) by replacing the second, third, and fourth sentences thereof with the following: "Lessor shall thereafter recover from Lessee any and all amounts which under the terms of this Lease may then be due or may have accrued to the date of such cancellation and, in addition, recover from Lessee as liquidated damages any and all costs and expenses of termination, retaking and reselling or releasing the Cars (including reasonable attorneys' fees)."

Miscellaneous: All capitalized terms used in this Schedule shall, unless otherwise indicated, have the definitions set forth in the Lease. Wherever there may be conflicts or inconsistencies between the terms and conditions of this Schedule and the terms and conditions of the Lease, the terms and conditions of this Schedule shall prevail.

LESSOR:

RAILCAR, LTD

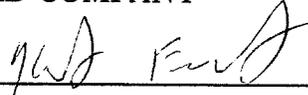
By: _____

Name/Title: _____

Dated as of February 1, 1997

LESSEE:

DAKOTA, MINNESOTA & EASTERN
RAILROAD COMPANY

By:  _____

Name/Title: Kurt V. Feaster, Chief Financial Officer

Treasurer & Ass't Secretary

Dated as of February 1, 1997

DESCRIPTION OF RAILCARS

Lessee: Dakota, Minnesota & Eastern Railroad

Number of Cars in Lease: 42

Description of Cars: 60-foot, 70-ton, plate B Boxcars.

Car Marks and Numbers:

DME 3104, DME 3106, DME 3108, DME 3120, DME 3136, DME 3141, DME 3150,
DME 3157, DME 3174, DME 3193, DME 3199, DME 3215, DME 3218, DME 3229,
DME 3233, DME 3244, DME 3245, DME 3249, DME 3251, DME 3255, DME 3257,
DME 3267, DME 3269, DME 3275, DME 3284, DME 3285, DME 3289, DME 3290,
DME 3292, DME 3306, DME 3315, DME 3324, DME 3331, DME 3334, DME 3341,
DME 3357, DME 3361, DME 3364, DME 3365, DME 3370, DME 3376, DME 3382.

EXHIBIT C TO SCHEDULE NO. 1

This is a Casualty Value Exhibit to Schedule No. 1 to the Master Lease Agreement dated as of February 1, 1997, between Railcar, Ltd., as Lessor, and Dakota, Minnesota & Eastern Railroad Corporation, as Lessee.

The Casualty Value shall be the value of the Car determined in accordance with Rule 107. Rental shall continue until notice of the Event of Loss is given, and interest shall accrue and be paid on any Rule 107 amount not paid within 30 days of such notice, at the rate of 1% per month.