

BALL JANIK LLP

A T T O R N E Y S

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OF COUNSEL
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RECORDATION NO. 21536 FILED

JUL 29 '98 2-49 PM

July 29, 1998

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, DC 20423

RECORDATION NO. 21536-A FILED

JUL 29 '98 2-49 PM

Dear Secretary Williams:

I have enclosed two originals of a Master Lease Agreement and Lease Schedule No. 1000066780, both described below, to be recorded pursuant to 49 U.S.C. §11301.

I. The first document is a Master Lease Agreement, a primary document, dated as of July 27, 1998. Please record this document under the next available Recordation Number. The names and addresses of the parties to the Master Lease Agreement are:

Lessor:

Banc One Leasing Corporation
1111 Polaris Parkway, Suite A3
Columbus, OH 43240

Lessees:

Huron and Eastern Railway Company, Inc.
Saginaw Valley Railway Company, Inc.
South Central Tennessee Railroad Corporation
Delaware Valley Railway Company, Inc.
Dakota Rail, Inc.
West Texas and Lubbock Railroad Company, Inc.
Cascade and Columbia River Railroad Company, Inc.
Otter Tail Valley Railroad Company, Inc.
Minnesota Northern Railroad, Inc.
St. Croix Valley Railroad Company, Inc.
301 Yamato Road, Suite 1190
Boca Raton, FL 33431

Counterpart of [Signature]

21536-A ←

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SURFACE TRANSPORTATION BOARD
RECEIVED

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Honorable Vernon A. Williams
July 29, 1998
Page 2

A description of the equipment covered by the Master Lease Agreement consists of four GP-9 locomotives numbered 1463, 1471, 1483, and 1484, and one GP-38 locomotive numbered 2776.

II. The second document is Lease Schedule Number 1000066780, a secondary document, dated as of July 27, 1998. We request that this document be recorded under the A suffix of the Recordation Number for the Master Lease Agreement. The names and addresses of the parties to Schedule Number 1000066780 are:

Lessor:

Banc One Leasing Corporation
1111 Polaris Parkway, Suite A3
Columbus, OH 43240

Lessees:

Huron and Eastern Railway Company, Inc.
Saginaw Valley Railway Company, Inc.
South Central Tennessee Railroad Corporation
Delaware Valley Railway Company, Inc.
Dakota Rail, Inc.
West Texas and Lubbock Railroad Company, Inc.
Cascade and Columbia River Railroad Company, Inc.
Otter Tail Valley Railroad Company, Inc.
Minnesota Northern Railroad, Inc.
St. Croix Valley Railroad Company, Inc.
301 Yamato Road, Suite 1190
Boca Raton, FL 33431

A description of the equipment covered by Schedule Number 1000066780 consists of four GP-9 locomotives numbered 1463, 1471, 1483, and 1484, and one GP-38 locomotive numbered 2776.

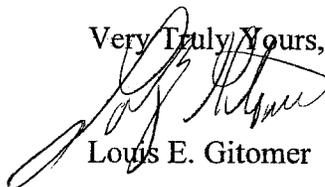
Honorable Vernon A. Williams
July 29, 1998
Page 3

A fee of \$52.00 is enclosed. Please return one original of each document to:

Louis E. Gitomer
Of Counsel
Ball Janik LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005

A short summary of the documents to appear in the index follows: (1) Master Lease Agreement between Banc One Leasing Corporation, 1111 Polaris Parkway, Suite A3, Columbus, OH 43240, and Huron and Eastern Railway Company, Inc., Saginaw Valley Railway Company, Inc., South Central Tennessee Railroad Corporation, Delaware Valley Railway Company, Inc., Dakota Rail, Inc., West Texas and Lubbock Railroad Company, Inc., Cascade and Columbia River Railroad Company, Inc., Otter Tail Valley Railroad Company, Inc., Minnesota Northern Railroad, Inc., St. Croix Valley Railroad Company, Inc., 301 Yamato Road, Suite 1190, Boca Raton, FL 33431; and (2) Schedule Number 1000066780 between Banc One Leasing Corporation, 1111 Polaris Parkway, Suite A3, Columbus, OH 43240, and Huron and Eastern Railway Company, Inc., Saginaw Valley Railway Company, Inc., South Central Tennessee Railroad Corporation, Delaware Valley Railway Company, Inc., Dakota Rail, Inc., West Texas and Lubbock Railroad Company, Inc., Cascade and Columbia River Railroad Company, Inc., Otter Tail Valley Railroad Company, Inc., Minnesota Northern Railroad, Inc., St. Croix Valley Railroad Company, Inc., 301 Yamato Road, Suite 1190, Boca Raton, FL 33431, both covering four GP-9 locomotives numbered 1463, 1471, 1483, and 1484, and one GP-38 locomotive numbered 2776.

Very Truly Yours,



Louis E. Gitomer

Enclosures

LEASE SCHEDULE NO. 1000066780

(Daily Equivalent Interim Rent)LEASE

Master Lease Agreement dated 7/27/98

Lessor: Banc One Leasing Corporation

Lessee: Huron and Eastern Railway Co., Inc.; Saginaw Valley Railway Company, Inc.; South Central Tennessee Railroad Corp.; Delaware Valley Railway Co., Inc.; Dakota Rail, Inc.; West Texas and Lubbock Railroad Co., Inc.; Cascade and Columbia River Railroad Co., Inc.; Otter Tail Valley Railroad Company, Inc.; Minnesota Northern Railroad, Inc.; St. Croix Valley Railroad Company, Inc.

1. **GENERAL.** This Lease Schedule is signed and delivered under the Master Lease Agreement identified above, as amended from time to time ("Master Lease"), between Lessee and Lessor. Capitalized terms defined in the Master Lease will have the same meanings when used in this Schedule.

2. **LEASE; EQUIPMENT DESCRIPTION.** Lessor leases to Lessee, and Lessee leases from Lessor, all of the property ("Equipment") described in Schedule A-1 attached hereto (and Lessee represents that all Equipment is new unless specifically identified as used):

3. **LESSOR'S COST OF EQUIPMENT:**

Equipment Cost:
Set-up/Filing Fee:
Miscellaneous:
Sales tax:

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Total:

4. **LEASE TERM.** The Base Term of this Schedule shall be Ninety-six (96) months and the Base Term shall commence on August 1, 1998 ("Commencement Date"). The total Lease Term consists of the Interim Term plus the Base Term. The Interim Term begins on the date that Lessor accepts this Schedule as stated below Lessor's signature ("Acceptance Date") and continues up to the Commencement Date.

5. **RENT/FEES.** There shall be added to each rent or other payment described below all applicable Taxes as in effect from time to time.

(a) As rent for the Equipment during the Interim Term, Lessee shall pay to Lessor on the Commencement Date an amount equal to one-thirtieth (1/30th) of the Periodic Rent multiplied by the number of days in the Interim Term. "Periodic Rent" means the total of all rent payments due and payable during the Base Term divided by the number of months in the Base Term.

(b) As rent for the Equipment during the Base Term, Lessee shall pay to Lessor monthly rent with each such periodic rent payment being in the amount of _____. The first rent payment in the Base Term in the amount of _____ (includes applicable tax) shall be paid in arrears and all subsequent rent payments shall be paid on the same day of each payment period thereafter.

(c) Lessee shall pay Lessor a Set-Up/Filing Fee as follows:

- (1) _____ shall be paid on the Acceptance Date, or
- (2) _____ has been included in the above Lessor's Cost of the Equipment.

6. **TITLE TO EQUIPMENT; QUIET POSSESSION.** Lessee agrees that Lessor is the lawful owner of the Equipment and that good and marketable title to the Equipment shall remain with Lessor at all times. Lessee at its sole expense will protect and defend Lessor's good and marketable title to the Equipment against all claims and demands whatsoever except for Liens created directly by Lessor. This Schedule is intended to be a lease transaction. Lessee shall have no right, title or interest in any of the Equipment except the right to peacefully and quietly hold and use the Equipment in accordance with the terms of the Lease during the Lease Term unless and until an event of default shall occur.

7. **TAX REPRESENTATIONS.** Lessee agrees that: (a) Lessee does not have, and the Lease will not create for Lessee, any equity or ownership interest in the Equipment; (b) the Equipment is not now, and will not be, "tax-exempt use property" as defined in Code Section 168; and (c) the Equipment has been placed in service as of the Acceptance Date.

8. **LESSEE'S ASSURANCES.** Lessee irrevocably and unconditionally: (a) reaffirms all of the terms and conditions of the Master Lease and agrees that the Master Lease remains in full force and effect; (b) agrees that the Equipment is and will be used at all times solely for commercial purposes, and not for personal, family or household purposes; and (c) incorporates all of the terms and conditions of the Master Lease as if fully set forth in this Schedule.

9. **RESERVED**

10. **OTHER DOCUMENTS; EXPENSES:** Lessee agrees to sign and deliver to Lessor any additional documents deemed desirable by Lessor to effect the terms of the Master Lease or this Schedule including, without limitation, Uniform Commercial Code financing statements which Lessor is authorized to file with the appropriate filing officers. Lessee hereby irrevocably appoints Lessor as Lessee's attorney-in-fact with full power and authority in the place of Lessee and in the name of Lessee to prepare, sign, amend, file or record any Uniform Commercial Code financing statements or other documents deemed desirable by Lessor to perfect, establish or give notice of Lessor's interests in the Equipment or in any collateral as to which Lessee has granted Lessor a security interest. The signing or filing of Uniform Commercial Code financing statements and other recordings are undertaken as a precaution only since the parties intend this Schedule to be a lease transaction. Lessee shall pay upon Lessor's written request any actual out-of-pocket costs and expenses paid or incurred by Lessor in connection with the above terms of this section or the funding and closing of this Schedule.

11. **REQUIRED INSURANCE:** The amount of insurance against loss of the Equipment shall equal the Stipulated Loss Value. The amount of public liability insurance shall be _____ per occurrence.

12. **REPRESENTATIONS AND WARRANTIES:** Lessee represents and warrants that: (a) Lessee is a corporation, partnership or proprietorship duly organized, validly existing and in good standing under the laws of the state of its organization and is qualified to do business and is in good standing under the laws of each other state where it is required to do business; (b) Lessee has full power, authority and legal right to sign, deliver and perform the Master Lease, this Schedule and all related documents and such actions have been duly authorized by all necessary corporate, partnership or proprietorship action; and (c) the Master Lease, this Schedule and each related document has been duly signed and delivered by Lessee and each such document constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms.

13. **PURCHASE ORDERS AND ACCEPTANCE OF EQUIPMENT.** Lessee agrees that (i) Lessor has not selected, manufactured, sold or supplied any of the Equipment, (ii) Lessee has selected all of the Equipment and its suppliers, and (iii) Lessee has received a copy of, and approved, the purchase orders or purchase contracts for the Equipment. **AS BETWEEN LESSEE AND LESSOR, LESSEE AGREES THAT: (a) LESSEE HAS RECEIVED, INSPECTED AND APPROVED ALL OF THE EQUIPMENT; (b) ALL EQUIPMENT IS IN GOOD WORKING ORDER AND COMPLIES WITH ALL PURCHASE ORDERS OR CONTRACTS AND ALL APPLICABLE SPECIFICATIONS; (c) LESSEE IRREVOCABLY ACCEPTS ALL EQUIPMENT FOR PURPOSES OF THE LEASE "AS-IS, WHERE-IS" WITH ALL FAULTS; AND (d) LESSEE UNCONDITIONALLY WAIVES ANY RIGHT THAT IT MAY HAVE TO REVOKE ITS ACCEPTANCE OF THE EQUIPMENT.**

LESSEE HAS READ AND UNDERSTOOD ALL OF THE TERMS OF THIS SCHEDULE. LESSEE AGREES THAT THERE ARE NO ORAL OR UNWRITTEN AGREEMENTS WITH LESSOR REGARDING THE EQUIPMENT OR THIS SCHEDULE.

BANC ONE LEASING CORPORATION
(Lessor)

By: *Jodd A. Aminger*

Title: *MEM, FUNDING*

SEE ATTACHED SIGNATURE PAGE
(Lessee)

By: *Larry W Bush*

Title: *V.P.*

Witness: *Ray A Musser*

Lessor's Acceptance Date: _____

trueperd

CO-LESSEE SIGNATURE PAGE
LEASE SCHEDULE

Master Lease Agreement Date: July 23, 1998 Lease Number: 1000066780

Lessee Name: Minnesota Northern Railroad, Inc.; Otter Tail Valley Railroad Company, Inc.; Saginaw Valley Railway Company, Inc.; St. Croix Valley Railroad Company; South Central Tennessee Railroad Corp.; West Texas and Lubbock Railroad Co., Inc.; Cascade and Columbia River Railroad Co.; Dakota Rail, Inc.; Delaware Valley Railway Co., Inc.; Huron and Eastern Railway Co., Inc.

This Lessee Signature Page is attached to the Lease described above between Banc One Leasing Corporation, as Lessor, and the Lessees identified above as Co-Lessees. Notwithstanding the identification of the Lessee on the front of the Schedule the term "Lessee" shall mean all the Lessees identified above.

Lessees:

Minnesota Northern Railroad, Inc.

By: Larry W Bush
Title: V.P.

Witness: Fay A Musser

Lessees:

Otter Tail Valley Railroad Company, Inc.

By: Larry W Bush
Title: V.P.

Witness: Fay A Musser

Lessees:

Saginaw Valley Railway Company, Inc.

By: Larry W Bush
Title: V.P.

Witness: Fay A Musser

Lessees:

St. Croix Valley Railroad Company

By: Larry W Bush

Title: V.P.

Witness: Fray A. Musser

Lessees:

South Central Tennessee Railroad Corp.

By: Larry W Bush

Title: V.P.

Witness: Fray A. Musser

Lessees:

West Texas and Lubbock Railroad Co., Inc.

By: Larry W Bush

Title: V.P.

Witness: Fray A. Musser

Lessees:

Cascade and Columbia River Railroad Co.

By: Larry W Bush

Title: V.P.

Witness: Fray A. Musser

Lessees:

Dakota Rail, Inc.

By: Larry W Bush

Title: V.P.

Witness: Fray A. Musser

Lessees:

Delaware Valley Railway Co., Inc.

By: _____

Jay W Bush

Title: _____

V.P.

Witness: _____

Fay A. Musser

Lessees:

Huron and Eastern Railway Co., Inc.

By: _____

Jay W Bush

Title: _____

V.P.

Witness: _____

Fay A. Musser

CORPORATE ACKNOWLEDGMENT

State of Pennsylvania :
: SS.
County of Franklin :

The foregoing Lease Schedule was acknowledged before me this July 23, 1998 by
(Officer's Name) Larry W. Bush,

(Officer's Title)

- VIP, of Huron and Easter Railway Co., Inc.
- VIP, of Saginaw Valley Railway Company, Inc.
- VIP, of South Central Tennessee Railroad Corp.
- VIP, of Delaware Valley Railway Co., Inc.
- VIP, of Dakota Rail, Inc.
- VIP, of West Texas and Lubbock Railroad Co., Inc.
- VIP, of Cascade and Columbia River Railroad Co., Inc.
- VIP, of Otter Tail Valley Railroad Company, Inc.
- VIP, of Minnesota Northern Railroad, Inc.
- VIP, of St. Croix Valley Railroad Company, Inc.

corporation, on behalf of the corporation.

[Notary Seal]

Fay A. Musser
Notary Public

Notarial Seal Commission Expires 8/14/2000
Fay A. Musser, Notary Public
Chambersburg Boro, Franklin County
My Commission Expires Aug. 14, 2000

CORPORATE ACKNOWLEDGMENT

State of Ohio:

: SS.

County of Delaware :

The foregoing Lease Schedule was acknowledged before me this July 27, 1998 by (Officer's Name) Todd Ehninger, (Officer's Title) Funding Manager, of Banc One Leasing Corporation, an Ohio corporation, on behalf of the corporation.

[Notary Seal]

Francis E Adams

Notary Public

FRANCES E. ADAMS

Commission Expires

Notary Public, STATE OF OHIO

My Commission Expires Feb. 10, 1999

Banc One Leasing Corporation

SCHEDULE A-1 EQUIPMENT LEASED HEREUNDER

QUANTITY	DESCRIPTION	PAGE
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FINANCED EQUIPMENT CONSISTS OF FIVE (5) USED LOCOMOTIVES HAVING THE FOLLOWING SERIAL NUMBERS:

1463
1483
1484
1471
2776

TOGETHER WITH ALL ATTACHMENTS, ADDITIONS, ACCESSIONS, PARTS, REPAIRS, IMPROVEMENTS, REPLACEMENTS AND SUBSTITUTIONS THERETO.

This Schedule A-1 is attached to and made a part of Lease Number 1000066780 and constitutes a true and accurate description of the equipment.

Lessee:

See Attached Signature Page

By: _____

Date: _____

scheda-1.057

CO-LESSEE SIGNATURE PAGE
SCHEDULE A-1

Master Lease Agreement Date: _____ Lease Number: 1000066780

Lessee Name: Minnesota Northern Railroad, Inc.; Otter Tail Valley Railroad Company, Inc.; Saginaw Valley Railway Company, Inc.; St. Croix Valley Railroad Company; South Central Tennessee Railroad Corp.; West Texas and Lubbock Railroad Co., Inc.; Cascade and Columbia River Railroad Co.; Dakota Rail, Inc.; Delaware Valley Railway Co., Inc.; Huron and Eastern Railway Co., Inc.

This Lessee Signature Page is attached to the Lease described above between Banc One Leasing Corporation, as Lessor, and the Lessees identified above as Co-Lessees. Notwithstanding the identification of the Lessee on the front of the Schedule the term "Lessee" shall mean all the Lessees identified above.

Lessees:

Minnesota Northern Railroad, Inc.

By: Larry W Bush
Title: V.P.

Witness: Fay A Musser

Lessees:

Otter Tail Valley Railroad Company, Inc.

By: Larry W Bush
Title: V.P.

Witness: Fay A Musser

Lessees:

Saginaw Valley Railway Company, Inc.

By: Larry W Bush
Title: V.P.

Witness: Fay A Musser

Lessees:

St. Croix Valley Railroad Company

By: Lang W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

South Central Tennessee Railroad Corp.

By: Lang W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

West Texas and Lubbock Railroad Co., Inc.

By: Lang W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

Cascade and Columbia River Railroad Co.

By: Lang W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

Dakota Rail, Inc.

By: Lang W Bush

Title: V.P.

Witness: Fay A Musser

Lessees:

Delaware Valley Railway Co., Inc.

By: Fang W Bush

Title: J.P.

Witness: Fay A Musser

Lessees:

Huron and Eastern Railway Co., Inc.

By: Fang W Bush

Title: J.P.

Witness: Fay A Musser

CORPORATE ACKNOWLEDGMENT

State of Pennsylvania :
: SS.
County of Franklin :

The foregoing Schedule A-1 was acknowledged before me this July 23, 1998 by

(Officer's Name) Larry W. Bush,

(Officer's Title)

- VIP, of Huron and Easter Railway Co., Inc.
- VIP, of Saginaw Valley Railway Company, Inc.
- VIP, of South Central Tennessee Railroad Corp.
- VIP, of Delaware Valley Railway Co., Inc.
- VIP, of Dakota Rail, Inc.
- VIP, of West Texas and Lubbock Railroad Co., Inc.
- VIP, of Cascade and Columbia River Railroad Co., Inc.
- VIP, of Otter Tail Valley Railroad Company, Inc.
- VIP, of Minnesota Northern Railroad, Inc.
- VIP, of St. Croix Valley Railroad Company, Inc.

corporation, on behalf of the corporation.

[Notary Seal]

Fay A. Musser
Notary Public

Notarial Seal
Fay A. Musser, Notary Public
Chambersburg Boro, Franklin County
My Commission Expires Aug. 14, 2000

Commission Expires 8/14/2000

CORPORATE ACKNOWLEDGMENT

State of Ohio:

: SS.

County of Delaware :

The foregoing Schedule A-1 was acknowledged before me this
July 27, 1998 by (Officer's Name) Todd Ehninger, (Officer's Title) Funding Manager, of Banc One Leasing
Corporation, an Ohio corporation, on behalf of the corporation.

[Notary Seal]

Francis E. Adams

Notary Public

FRANCES E. ADAMS

Notary Public, STATE OF OHIO

Commission Expires

My Commission Expires Feb. 10, 1999