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OF COUNSEL
URBAN A. LESTER

JUL 25 1 55 PM '96

July 25, 1996

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 three (3) copies each of the following documents: Equipment Lease Schedule for Master Equipment Agreement (with Equipment Lease Schedule Number 4) and a Bill of Sale, each dated as of July 25, 1996, each being secondary documents, as defined in the Board's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The enclosed documents relate to the Master Equipment Lease Agreement previously filed with the Board under Recordation Number 19851.

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

<u>Equipment Lease Schedule Number 4</u>

Lessor: Heller Financial Leasing, Inc.
500 West Monroe Street
Chicago, Illinois 60661

Lessee: Duluth, Missabe and Iron Range Railway Company
135 Jamison Lane
Monroeville, Pennsylvania 15146

Bill of Sale

Seller: Helm Financial Corporation
One Embarcadero Center, Suite 3500
San Francisco, California 94111

Buyer: Heller Financial Leasing, Inc.
500 West Monroe Street
Chicago, Illinois 60661

A description of the railroad equipment covered by the enclosed documents is:

two (2) 3000 horsepower EMD Model SD 40-3, six axle, locomotives bearing DMIR reporting marks and road numbers 407 and 409.

Also enclosed is a check in the amount of $42.00 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

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

7/25/96

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW., Ste. 200
Washington,DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 7/25/96 **at** 2:15PM **, and assigned recordation number(s).** 19851-H and 19851-I.

Sincerely yours,

Vernon A. Williams
Secretary

Enclosure(s)

$ 42.00 **The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.**

Signature Janice M. Ford

19851-H

EQUIPMENT LEASE SCHEDULE
FOR MASTER EQUIPMENT LEASE AGREEMENT

Schedule Number 4

This Schedule Number 4 dated as of July 25, 1996 between **HELLER FINANCIAL LEASING, INC.**, as Lessor, and **DULUTH, MISSABE AND IRON RANGE RAILWAY COMPANY**, as Lessee, is executed pursuant to and is subject to the terms and conditions of the Master Equipment Lease Agreement dated as of December 28, 1995, (the "Lease") which terms and conditions are hereby incorporated herein by reference. Unless otherwise defined herein, capitalized terms used in this Schedule have the respective meaning assigned to such terms in the Lease.

Lessee hereby authorizes Lessor to insert herein the serial numbers and other identification data of the Equipment, when determined by Lessor, and dates or other omitted factual matters. Lessor hereby authorizes Lessee to re-stencil and re-number the locomotives to locomotive series DMIR 407 and DMIR 409.

1. Description of Equipment. The Equipment which is the subject of this Schedule Number 4 and the acquisition cost thereof (the "Acquisition Cost") is more particularly described on Annex A hereto and made a part hereof.

2. Term of Lease with respect to Equipment: The term of the Lease for the Equipment described herein is for an Interim Term commencing on the "Acceptance Date" set forth in the Acceptance Certificate applicable to the Equipment subject to this Schedule, and continuing through and including July 31, 1996; and for a Base Term of 120 months commencing on August 1, 1996 (the "Base Term Commencement Date") and continuing through and including August 1, 2006 (the "Termination Date").

3. Rental: Interim Rent shall be due Lessor for each day by which the Acceptance Date precedes the Base Term Commencement Date. Interim Rent for each day in the Interim Term shall be at a rate of $419 per day and will be billed on August 1, 1996. Base Rent shall be payable quarterly, in arrears, in forty installments of $37,698 each, commencing on November 1, 1996 and continuing on the first business day of each succeeding quarter thereafter provided the final installment shall be due on the Termination Date. In the event Stipulated Loss Value is paid in connection with an Event of Loss, Base Rent shall be adjusted on a pro rata basis.

4. Stipulated Loss Value: Upon the occurrence of any Event of Loss or other event giving Lessor the right to require immediate payment of the Equipment's Stipulated Loss Value, Lessor shall calculate such Stipulated Loss Value by multiplying the Acquisition Cost of the particular item of Equipment to Lessor by the Stipulated Loss Factor (as set forth on Annex B attached hereto and made a part hereof) for the Base Rent payment date following the Event of Loss or

such other event (or for any such payment resulting from an event occurring during the Interim Term, the first Stipulated Loss Factor on Annex B shall apply).

5. Lessee's Purchase Option: Third Party Sale.

(a) Renewal. Upon Lessee's written request to Lessor given no later than two hundred ten (210) days prior to the expiration of the Base Term, Lessor agrees to provide to Lessee a proposal to renew the term of this Schedule; provided, however, nothing herein or in the Lease shall obligate Lessor to enter into such a renewal.

(b) Lessee's Purchase Option. If (i) no Event of Default shall have occurred and be continuing, and (ii) this Schedule shall not have been earlier terminated, Lessee shall be entitled, at its option, as hereinafter provided, to purchase all, but not less than all, of Lessor's interest in the Equipment then subject to this Schedule, on the Termination Date, for an amount (the "Purchase Option Amount"), payable in immediately available funds, equal to the sum of (A) the "Estimated Residual Value" (as hereinafter defined) of such Equipment, plus (B) the Base Rent due and payable for such Equipment on the Termination Date, if Base Rent is payable in arrears, plus (C) any applicable sales, excise or other taxes imposed as a result of such sale (other than gross or net income taxes attributable to such sale). Lessor's sale of its interest in the Equipment shall be on an as-is, where-is basis, without any representation or warranty by, or recourse to, Lessor except that there are no Lessor Liens. If Lessee intends not to exercise said purchase option, Lessee shall give written notice to Lessor to such effect at least one hundred eighty (180) days prior to the expiration of the Base Term. If Lessee fails to give such written notice to Lessor, it shall be conclusively presumed that Lessee has elected said purchase option and the same shall constitute a binding obligation of Lessee to purchase all of Lessor's interest in all such Equipment and to pay Lessor the Purchase Option Amount on the Termination Date thereof. Lessee shall have the right to assign its purchase option under this section 5(b) on not less than ten (10) days' prior written notice to Lessor; provided such assignment shall not affect or impair Lessee's obligations hereunder, including, without limitation, the obligation to pay the Purchase Option Amount to Lessor on the Termination Date.

"Estimated Residual Value" for any item of Equipment shall mean an amount obtained by multiplying (x) the percentage set forth in Annex C under the caption "Estimated Residual Value Percentage" by (y) the Acquisition Cost.

(c) Third Party Sale of Equipment.

(i) Remarketing Obligations. In the event Lessee and Lessor have not agreed upon the terms of a renewal of this Schedule (it being agreed that Lessor shall be under no such obligation) or in the event Lessee elects not to purchase Lessor's interest in the Equipment pursuant to Section 5(b), then Lessee shall have the obligation during the last one hundred eighty (180) days of the Base Term (the "Remarketing Period"), to obtain bona fide bids for not less than all Equipment then subject to this Schedule from prospective purchasers who are financially capable of purchasing such Equipment for cash on an as-is, where-is basis, without recourse or warranty except that there are no Lessor Liens. All bids received by Lessee prior to the end of the Base Term of such Equipment shall be promptly certified to Lessor in writing, setting forth the amount of such bid and the name and address of the person or entity submitting such bid. Notwithstanding the foregoing, Lessor shall have the right, but not the obligation, to seek bids for the Equipment during the Remarketing Period.

(ii) Sale of Equipment to Third Party Buyer. On the Termination Date, provided that all the conditions hereof have been met, Lessor shall sell (or cause to be sold) all of Lessor's interest in all Equipment then subject to this Schedule, for cash to the bidder, if any, who shall have submitted the highest bid during the Remarketing Period on an as-is, where-is basis and without recourse or warranty by Lessor except that there are no Lessor Liens, and upon receipt by Lessor of the sales price Lessor shall instruct Lessee to deliver and Lessee shall deliver such Equipment to such bidder; provided, that (x) any such sale to a third party shall be consummated, and the sales price for the Equipment shall be paid to Lessor in immediately available funds, on or before the Termination Date; and (y) Lessor shall not be obligated to sell such Equipment (I) if the "Net Proceeds of Sale" (as defined in Section 6(c) below) of the Equipment are less than the aggregate "Maximum Lessor Risk Amount" (as defined in Section 6(c) below) as of the Termination Date, or (II) if Lessor has not received the amounts, if any, payable by Lessee pursuant to Section 6.

6. End of Term Payment Adjustment.

(a) Third Party Sale of Equipment. This Section 6(a) shall apply only if, with respect to any Equipment, a sale of Equipment to a third party pursuant to Section 5 hereof has been consummated on or before the Termination Date. If the Net Proceeds of Sale are less than the aggregate Estimated Residual Value of such Equipment as of such Termination Date, Lessee shall, on the Termination Date, pay to Lessor as an End of Term Payment Adjustment, in immediately available funds, an amount equal to (i) such deficiency (a "Deficiency"), provided, however, that if no Event of Default shall have occurred and be continuing hereunder or under the Lease, the amount of the Deficiency payable by Lessee with respect to the Equipment shall not exceed the aggregate "Maximum Lessee Risk Amount" (as hereinafter defined) then applicable to such Equipment; plus (ii) the Base Rent due and payable for such Equipment on the Termination Date, if Base Rent is payable in arrears.

If the Net Proceeds of Sale of such Equipment exceed the aggregate Estimated Residual Value of such Equipment, Lessee shall have paid Lessor on or before the Termination Date the amounts set forth in clause (ii) of the preceding paragraph and no Event of Default shall have occurred and be continuing hereunder or under the Lease, Lessor shall pay to Lessee an amount equal to such excess.

(b) Lessee Payment. If a sale of all Equipment then subject to this Schedule either to Lessee pursuant to Section 5 hereof or to a third party pursuant to Section 5 hereof has not been consummated on the Termination Date with respect thereto for any reason (other than due to a default by Lessor), then Lessee shall, on the Termination Date, pay to Lessor as an End of Term Payment Adjustment, in immediately available funds, an amount equal to (i) the Maximum Lessee Risk Amount of all of Equipment, if on the Termination Date no Event of Default shall have occurred and be continuing hereunder or under the Lease, or the Estimated Residual Value of all Equipment, if on the Termination Date an Event of Default or event which, with notice or passage of time or both would constitute an Event of Default, shall have occurred and be continuing hereunder or under the Lease; plus (ii) in either case, the Base Rent due and payable for such Equipment on the Termination Date, if Base Rent is payable in arrears. Lessee shall remain liable for the payment of, and upon the consummation by Lessor of the sale of any Equipment after the Termination Date thereof, Lessee shall pay, or reimburse Lessor for the payment of, all applicable sales, excise or other taxes imposed as a result of such sale, other than gross or net income taxes attributable to such sale, and such obligation shall survive the termination of this Lease. Lessor shall retain all Net Proceeds of Sale upon the consummation by Lessor of the sale of any Equipment.

(c) Certain Definitions.

(i) "End of Term Payment Adjustment" means the amounts payable pursuant to Section 6(a) or, as applicable, 6(b).

(ii) "Maximum Lessee Risk Amount" means an amount obtained by multiplying (x) the percentage set forth in Annex C hereto under the caption "Maximum Lessee Risk Percentage" by (x) the Acquisition Cost.

(iii) "Maximum Lessor Risk Amount" means an amount obtained by multiplying (x) the percentage set forth in Annex C under the caption "Maximum Lessor Risk Percentage" by (y) the Acquisition Cost.

(iv) "Net Proceeds of Sale" means with respect to Equipment sold to a third party, the net amount of the proceeds of sale of such Equipment, after deducting from the gross proceeds of such sale (x) all sales taxes and other taxes (excluding income taxes on or measured by Lessor's income) as may be applicable to the sale or transfer of such Equipment, (y) all fees, costs and expenses of such sale incurred by Lessor and (z) any other amounts for which, if not paid, Lessor would be liable or which, if not paid, would constitute a lien on such item.

(d) Time of the Essence. The provisions of Sections 5 and 6 are of the essence of this Lease, and time is of the essence for any payment and performance of the obligations of Lessee set forth therein.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Schedule as of the Date set forth above.

LESSEE:

DULUTH, MISSABE AND IRON RANGE RAILWAY COMPANY

By: _____
Printed Name: F. J. Habic
Title: Vice President of Operations

LESSOR:

HELLER FINANCIAL LEASING, INC.

By: _____
Printed Name: _____
Title: _____

1A/213023

STATE OF PENNSYLVANIA)
)ss
COUNTY OF ALLEGHENY)

I, Nancy A. Titov, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT F. J. Habic, the Vice President of Operations of Duluth, Missabe and Iron Range Railway Company, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such Vice President of Operations, he signed, sealed and delivered the said instrument as his free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of July, 19 96.

Nancy A. Titov
Notary Public

Notarial Seal
Nancy A. Titov, Notary Public
Monroeville Boro, Allegheny County
My Commission Expires Oct. 17, 1998

07/01/96
5:02 PM

STATE OF Georgia)
)ss
COUNTY OF Cobb)

I, Cathy Porto Dye, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT Laird Boulden, the Senior Vice President of Heller Financial Leasing, Inc., personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such Senior Vice President, he signed, sealed and delivered the said instrument as his free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 23rd day of July, 1996.

Cathy Porto Dye
Notary Public
Commission Expires
4-10-99

ANNEX - A

Description of Equipment

Two (2) Locomotives

Two (2) 3000 Horsepower EMD Model SD 40-3, six axle, Locomotives, bearing Reporting Mark/Road Numbers DMIR 407 and DMIR 409 (formerly bearing Reporting Mark/Road Numbers SP6787 and SP6790, respectively).

Acquisition Cost: $639,575 per Locomotive

ANNEX - B
Stipulated Loss Factors

Date		Stipulated Loss Factor
August	1996	105.0000%
November	1996	104.1979%
February	1997	103.3786%
May	1997	102.5418%
August	1997	101.6869%
November	1997	100.8138%
February	1998	99.9219%
May	1998	99.0109%
August	1998	98.0804%
November	1998	96.1298%
February	1999	95.1589%
May	1999	94.1672%
August	1999	93.1542%
November	1999	92.1195%
February	2000	91.0626%
May	2000	89.9830%
August	2000	88.8802%
November	2000	86.7538%
February	2001	85.6032%
May	2001	84.4280%
August	2001	83.2275%
November	2001	82.0013%
February	2002	80.7488%
May	2002	79.4695%
August	2002	78.1626%
November	2002	76.8278%
February	2003	75.4643%
May	2003	74.0716%
August	2003	72.6490%
November	2003	71.1959%
February	2004	69.7116%
May	2004	68.1955%
August	2004	66.6468%
November	2004	65.0650%
February	2005	63.4492%
May	2005	61.7987%
August	2005	60.1129%
November	2005	58.3909%
February	2006	56.6319%
May	2006	54.8352%
August	2006	53.0000%

ANNEX - C

Estimated Residual Value Percentage

50%

Maximum Lessor Risk Percentage

23.65%

Maximum Lessee Risk Percentage

26.35%