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

RECORDATION NO. 20144-A FILED 1425
AUG 12 1996 -11 30 AM

OF COUNSEL
URBAN A. LESTER

August 12, 1996

RECORDATION NO. 20144-B FILED 1425
AUG 12 1996 -11 30 AM

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

STATE COMMERCE COMMISSION

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are three (3) copies each of Schedules Numbered 2 and 3 for Master Equipment Lease Agreement. Schedule Number 2 is dated as of July 29, 1996, and Schedule Number 3 is dated as of July 31, 1996. Both are secondary documents as defined in the Board's Rules for the Recordation of Documents.

The enclosed documents relate to the Master Equipment Agreement previously filed with the Board under Recordation Number 20144.

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

Lessor: NationsBanc Leasing Corporation
2300 Northlake Centre Drive, Suite 300
Tucker, Georgia 30084

Lessee: Dakota, Minnesota & Eastern Railroad Corporation
337 22nd Avenue South
Brookings, South Dakota 57002-2828

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

Schedule Number 2:

thirty (30) covered hopper railcars with DME reporting marks and road numbers 51200 through 51229

Burn D. Williams
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BOARD

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Mr. Vernon A Williams
August 12, 1996
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Schedule Number 3

seventy (70) covered hopper railcars with DME reporting marks and road numbers 51230 through 51299

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 the enclosed document to the undersigned.

Very truly yours,



Robert W Alvord

RWA/bg
Enclosures

NationsBank®

NationsBanc Leasing Corporation

RECORDATION NO. 20144-B FILED 1425

Equipment Lease Schedule 1996-11 90 AM
For Master Equipment Lease Agreement

Schedule Number 3

This Schedule, dated as of July 31, 1996, between NationsBanc Leasing Corporation, as Lessor, and Dakota, Minnesota & Eastern Railroad Corporation, as Lessee, is executed pursuant to and is subject to the terms and conditions of Master Equipment Lease Agreement Number 02034-00300 dated as of April 9, 1996 (the "Lease"). Unless otherwise defined herein, capitalized terms used in this Schedule have the respective meanings assigned to such terms in the Lease. Should any terms and conditions of this Schedule conflict with any provision of the Lease, the terms and conditions herein shall supersede conflicting terms and conditions 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

Description of Equipment, the total cost of which to Lessor is \$3,807,370 00 ("Total Capitalized Cost"):

Quantity	Description	Serial Number	Cost
70	5161 CF Covered Hopper Railcars	51230 - 51299	3,807,370 00
		Total Cap Cost	\$3,807,370 00

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 below, and continuing through and including the day preceding the Base Term Commencement Date, and for a Base Term of one hundred eighty (180) months commencing on the 5th day of the calendar month following the Acceptance Date (the "Base Term Commencement Date")

Rental: Interim Rent shall be due Lessor for each day in the Interim Term shall equal 0.022917% multiplied by Total Capitalized Cost. The 0.022917% is based upon NationsBank of Georgia, N.A.'s present "Prime Rate" of 8.250000% plus 0.000000%. For each one-quarter percent (0.25%) change in such Prime Rate, the 0.022917% will increase or decrease (as applicable) by 0.00069444%. Interim Rent shall be payable on the Base Term Commencement Date.

Base Rent shall be payable in one hundred eighty (180) consecutive monthly installments with the months one (1) through sixty (60) at \$26,534 70 each followed by months sixty one (61) through one hundred eighty (180) at \$32,431 56 each, the first Base Rent installment being payable on the Base Term Commencement Date and the remaining Base Rent installments being payable on the 5th day of each succeeding month.

Stipulated Loss Value: After the occurrence of any casualty loss or other event giving Lessor the right to require payment of the Equipment's Stipulated Loss Value, Lessor shall calculate such Stipulated Loss Value and give Lessee written notice thereof. Such "Stipulated Loss Value", as of any particular date, shall be the product obtained by multiplying the Total Capitalized Cost for the item of Equipment in question by the percentage, as set forth in the attached "Schedule of Stipulated Loss Values", specified opposite the rent installment number becoming due immediately after the date Lessor gives Lessee notice requiring payment of the Stipulated Loss Value (the "SLV Payment Date"). On the SLV Payment Date, Lessee shall pay Lessor the Stipulated Loss Value plus the rent installment then due, together with any other unpaid amounts then due and owing under this Schedule. If only a portion of the Equipment is affected by any event causing calculation of Stipulated Loss Value, and the cost of such portion cannot be readily determined from the Total Capitalized Cost set forth above, then the Total Capitalized Cost for such portion shall be as reasonably calculated by Lessor, with written notice of such Total Capitalized Cost being sent to Lessee by Lessor.

Assets Class and Depreciable Life: Lessee hereby warrants and represents that the above described Equipment qualifies under asset guideline class 0.25 and constitutes "7-year property" within the meaning of Internal Revenue Code Section 168.

Location of Equipment: Equipment will be located at 337 22nd Avenue, South, Brookings, Brookings, SD 57006

Insurance Requirements: In addition to the requirements set forth in the Lease, the following shall apply:

Liability Not less than \$500,000 00 combined single limit liability insurance, including bodily injury and death and property damage, covering activities of Lessor and Lessee and naming Lessor as additional insured.

Physical Damage Comprehensive insurance, including loss by burglary, theft, malicious mischief and fire, for an amount not less than the Stipulated Loss Value of the Equipment, and naming Lessor as loss payee.

End of Base Term Options: (1) Lessee may, provided Lessee is not in default under any of the provisions of the Lease or this Schedule, and upon its having provided to Lessor written notice not less than ninety (90) days prior to the expiration of the Base Term of its election (which shall be irrevocable) to purchase all of Lessor's right, title and interest in and to all, but not less than all, of the Equipment for a purchase price equal to the greater of (a) the then Fair Market Value of the Equipment, or (b) \$1,750,438 36.

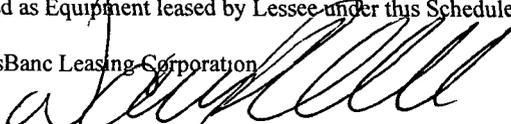
(ii) If Lessee for any reason does not purchase the Equipment in accordance with paragraph (i) above, the Base Term shall automatically and without action on the part of Lessor or Lessee be extended for an additional term of thirty six (36) months at a monthly rental of \$27,710.42 (fixed monthly rental percentage of 7.2781%), with the first such rental being due and payable by Lessee on the first day following the last day of the Base Term. The fixed monthly rental percentage shall be subject to a one time increase or decrease, to be adjusted prior to the last day of the Base Term, to actuarially reflect the difference between the Index Rate and the Base Index Rate. The Index Rate shall be the three (3) year Treasury Constant Maturities Yield derived from the column entitled "Week Ending" (for the more recent week) set forth in the Federal Reserve Statistical Release H 15 (519) ("Release H 15") issued on or closest prior to the last day of the Base Term. The Base Index Rate shall be 6.10%. Upon termination of the extended lease term, the Lessee shall either (i) return the Equipment to Lessor in accordance with the terms of the Lease or (ii) provided, Lessee has given Lessor ninety (90) day's prior written notice, purchase not less than all of the Equipment for its then Fair Market Value,

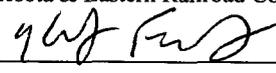
Early Termination: Provided that no Event of Default (as defined in the Lease) shall have occurred and be continuing, Lessee shall have the option, exercisable at its own discretion, to terminate the term of lease on the 12th annual anniversary date of the Base Term Commencement Date, by giving written notice to Lessor, not less than two (2) months prior to termination, of its intent to terminate. Upon exercising this Early Buyout option, Lessee shall purchase all of Lessor's right, title and interest in and to all, but no less than all, of the Equipment on an "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor, for a purchase price equal to \$2,509,056.83 plus all unpaid rentals and other sums due and owing under the Lease. Lessee shall pay Lessor the purchase price plus any applicable taxes. Lessee shall continue to pay Lessor monthly rentals for the Equipment until Lessor receives proceeds of transfer.

Upon receipt by Lessor of full payment, Lessor shall execute and transmit to Lessee all title papers needed to effect the transfer.

No Material Adverse Change: Lessee represents and warrants that there has been no material adverse change in its business or financial condition since January 30, 1996. Lessor shall not be obligated to execute this Schedule and lease the Equipment hereunder to Lessee if there shall have occurred any change in applicable law that would have a material adverse impact on the transaction contemplated hereby or there shall have occurred a material adverse change (in Lessor's sole judgment) in the financial or business condition of Lessee.

Acknowledgment of Receipt of Equipment: Lessee acknowledges that the Equipment described herein above has been delivered to and received by it, is conforming as represented, and is acceptable and satisfactory to it, and that the same has been irrevocably accepted as Equipment leased by Lessee under this Schedule as of the date written below (the "Acceptance Date").

NationsBanc Leasing Corporation
By 
Printed Name Damon R. Excell
Title Assistant Vice President

Dakota, Minnesota & Eastern Railroad Corporation
By 
Printed Name Kurt V. Feaster, Chief Financial Officer
Title Treasurer & Ass't Secretary
Acceptance Date 8-5-96

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State of South Dakota)
County of Brookings) ss:

On this 5th day of August, 1996, before me, personally appeared Kurt V. Feaster, to me personally known, who being by me duly sworn, says that ~~he~~ is the Chief Financial Officer, of Dakota, Minnesota & Eastern Railroad Corporation, that the seal affixed to the foregoing Master Equipment Lease Agreement is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and ~~he~~ acknowledged that the execution of said instrument was the free act and deed of said corporation

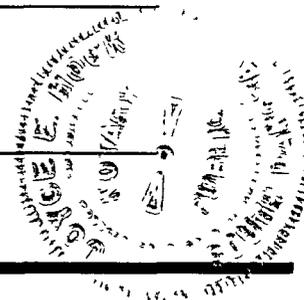
Joyce E. Hock

Notary Public

(Seal)

My Commission Expires:

MAY 5, 2002



State of Georgia)
County of DeKalb) ss

On this 8th day of August, 1996, before me, personally appeared Darnon Excell, to me personally known, who being by me duly sworn, says that (s)he is the Asst. Vice Pres. of NationsBanc Leasing Corporation, that the seal affixed to the foregoing Master Equipment Lease Agreement is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of said instrument was the free act and deed of said corporation

Carol J. Jones

Notary Public

(Seal)

My Commission Expires:

Notary Public, DeKalb County, Georgia
My Commission Expires February 20, 1999