

Transcisco
Industries
Inc.

TRANSCISCO

Patricia M. Bovan
General Counsel

17536
RECORDATION NO. _____ FILED 1425

555 California Street, Suite 2420
San Francisco, CA 94104
415 477-9707
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SEP 24 1991 3 02 PM

1-268A029

INTERSTATE COMMERCE COMMISSION

Secretary
Interstate Commerce Commission
Washington, D.C.

September 12, 1990

Re: Kalamazoo, Lake Shore and Chicago Railway, Lessee
Transcisco Tours Inc., Lessor
Lease of Railroad Equipment

Dear Sir:

Enclosed please find the original and one copy of the Lease of Railroad Equipment, dated August 29, 1991 ("Lease") to be recorded pursuant to the provisions of 49 U.S.C. Sec. 11303.

The names and addresses of the parties to the document are as follows:

Lessee: Kalamazoo, Lake Shore and Chicago Railway
P. O. Box 178
Paw Paw, Michigan 49079

Lessor: Transcisco Tours Inc.
601 California Street, 7th Floor
San Francisco, California 94108

The following is the description of the equipment covered by the Lease: #800558 Dome Diner, Emerald Bay; #800559 Kitchen Car; #800556 Dome Lounge, Zephyr Cove; #800560 Dome Diner, Crystal Bay.

Enclosed is a check payable to the Interstate Commerce Commission in the amount of \$15.00 as its filing fee for this recordation.

Please return the original and any extra copies not needed by the Commission for recordation to me.

A short summary of the document to appear in the index follows:

Lease of Railroad Equipment, between Kalamazoo, Lake Shore and Chicago Railway having its principal office at Paw Paw, Michigan 49079 ("Lessee"), and Transcisco Tours, Inc., a Delaware corporation having its principal office at San Francisco, California 94104 ("Owner" and "Lessor"), covering the lease of four railcars.

Please do not hesitate to call me directly at (415) 477-9707 if you need any further information. Thank you for your attention to this matter.

Sincerely,

Patricia M. Bovan

MOTOR OPERATING UNIT
SEP 14 9 02 AM '91

Interstate Commerce Commission

Washington, D.C. 20423

9/25/91

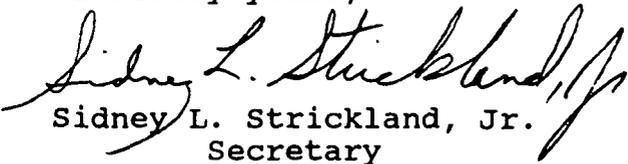
OFFICE OF THE SECRETARY

Patricia M. Bovan
General Counsel
Transisco Industries, Inc.
555 California Street
Ste. 2420
San Francisco, CA. 94104

Dear Sirs:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 9/24/91 at 3:05PM, and assigned recordation number(s). 17536.

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

LEASE OF RAILROAD EQUIPMENT

67536

SEP 24 1991 - 3 05 PM

Lease dated as of August 29, 1991, between Kalamazoo Interstate
Shore and Chicago Railway having its principal office at Paw Paw,
Michigan 49079 ("Lessee"), and Transcisco Tours, Inc., a Delaware
corporation having its principal office at San Francisco,
California ("Owner" and "Lessor").

W I T N E S S E T H :

WHEREAS, Lessor owns and has authority to lease certain
railroad equipment as described more fully on Schedule A attached
hereto and made a part hereof (the "Equipment"); and

WHEREAS, Lessee desires to lease the Equipment from Lessor
upon the terms and conditions set forth below; and

WHEREAS, Lessor desires to lease the Equipment to Lessee upon
the terms and conditions set forth below;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. LEASE. Upon the effective date hereof, Lessor will lease
to Lessee, and Lessee will lease from Lessor, the Equipment.

2. TERM; GEOGRAPHIC RANGE; PURPOSE. The term of this Lease
shall commence not later than September 5, 1991, or such earlier
date as the joint inspection described in Section 7 is completed
and the Equipment is determined to be acceptable for interchange,
and shall continue through and end on or about September 5, 1992,
namely 12 months from the commencement date. This Lease shall be
non-terminable and non-cancelable by Lessee except with the prior
written notice from Lessor pursuant to Section 28 herein or upon
prior written consent of Lessor to Lessee, which consent may be
withheld in Lessor's sole discretion. The Lease shall expire on or
about September 5, 1992 unless Lessor notifies Lessee on or before
July 1, 1992, that the Lease is subject to extension (with the
expectation that such extension would be through approximately
September 5, 1993). The initial twelve months together with any
renewals or extensions shall be referred to herein as the "Term" of
the Lease. The terms and conditions of any such extension shall be
evidenced in a writing signed by the parties. The Equipment shall
be made available to Lessee at the commencement of the Term at the
following location: Oakland, California. The Equipment shall be
operated by Lessee solely within the boundaries of the contiguous
48 states of the United States of America. The Equipment shall be
used or operated by Lessee during the Term hereof solely for the
following purpose: Lessee will use the cars in conjunction with
Lessee's dinner train business ("Purpose"). Lessee shall, at its
own expense, arrange for movement from Lessor's location in Oakland
to Lessee's destination, including arranging for the Equipment to
be inspected for acceptance into interchange.

3. RENT.

A. Lease payments will be \$15,000 per month ("Minimum Rent") or 15% of gross revenue adjusted upward for complimentary tickets issued to Lessee's passengers, and adjusted downward for returned tickets, or refunded tickets ("Gross Revenues") of the dinner train operations (transportation, food, alcoholic and non-alcoholic beverages, souvenir sales, if any, etc.), whichever is the greater sum ("Rent"). Rent for partial months will be prorated on a daily basis calculated as \$500.00 per day.

Lessee will advance Lessor not later than September 5, 1991, and before any of the Equipment leaves Oakland, California, a two-month up-front payment of Rent, totalling \$30,000.00, to cover the last two months' Minimum Rent. Lessee will remit the amount of \$30,000 by wire transfer to a bank account designated by Lessor. Minimum Rent of \$15,000 to cover September 1991 rent under this Lease shall be due not later than September 20, 1991. Minimum Rent for subsequent months shall be due and payable monthly in advance, on the first day of each month. Any adjustment for the pro-ration of the rent accruing in September 1991 shall be made under the October 1, 1991 remittance of Minimum Rent.

In the event that the Gross Revenues for any of the said months are greater than the Minimum Rent for that month, then an appropriate adjustment shall be remitted to Lessor by Lessee. Adjustments shall be made on a monthly basis after the end of each month, as applicable, in the event the Gross Revenues for that month should be greater than the Minimum Rent for that month. Such adjustments, if any, shall be remitted to Lessor together with payment of the next month's Minimum Rent. Lessor has the right to audit Lessee's records on a quarterly basis to determine and verify the accuracy of the payments of Rent.

Rent amounts payable to Lessor pursuant hereto shall be paid by certified or cashier's check, money order or wire transfer. All Rent amounts shall be paid to Lessor at 555 California Street, Suite 2420, San Francisco, California 94104, or at such other address as Lessor may specify by notice to Lessee. All such Rent amounts shall be paid without notice or demand, and Lessee's obligation to pay such Rent amounts shall be absolute and unconditional and not subject to any abatement, reduction, set-off, defense, counterclaim or recoupment ("Abatements") for any reason whatsoever (including, without limitation, Abatements due to any present or future claims of Lessee against Lessor under this Lease or otherwise, or against the manufacturer or vendor, or any affiliate of the Owner of the Equipment) except as provided in Section 3B below; nor except as otherwise expressly provided herein, shall this Lease terminate or the obligations of Lessee hereunder be affected by reason of any defect in or damage to, or any loss or destruction of, any Equipment from any cause whatsoever, or the interference with the use thereof by any private

person, corporation (other than the Lessor) or governmental authority, or the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority to enter into this Lease, or for any other cause. If any Rent or other sums due hereunder are not paid within ten (10) days of the due date thereof, Lessee shall pay to Lessor on demand, as additional Rent, interest thereon from the due date until payment, at a rate equal to the lesser of (i) 1.5% per month or (ii) the maximum rate permitted by law.

Any or all of the pre-paid Rent shall be subject to Lessor's use to defray its expenses incurred as a result of any breach or default by Lessee hereunder, including without limitation, costs of repossession, storage, and enforcement of Lessee's rights hereunder.

B. Rent shall be abated proportionally on the Equipment, in whole or in part, in any one or more of the following circumstances only:

(i) If the U.S. Federal Bankruptcy Court in case No. 91 3 3117 LK orders any or all of the Equipment to be removed from the possession of the Lessee for return to the Lessor, the Owner (if different from the Lessor) or to any third party. Further if in this circumstance, the Lessee should not have available for its use the minimum complement of the Equipment of a kitchen car and a dinner car, then in the absence of mutual agreement to abate some portion of the Rent pursuant to good faith negotiations of the parties, this Lease shall be terminated in whole, the remaining Equipment shall be returned to Lessor pursuant to the other applicable provisions, with no further liability on the parts of either the Lessor or Lessee to the other, except for any sums accrued and owing hereunder.

(ii) If the Lessor (or Owner, if different from the Lessor) unjustifiably interferes with the Lessee's use or operation of any or all of the Equipment during the Term of the Lease;

(iii) If any or all of the Equipment is inoperable as a direct result of an undiscoverable significant defect in the Equipment, known by Lessor and negligently or intentionally not disclosed by Lessor to Lessee;

(iv) If pursuant to Section 8 herein, any or all of the Equipment is to have Modifications made to it and Lessor chooses not to make such Modifications, with the result that the Equipment is restricted from lawful operation or use by Lessee.

(v) Pursuant to Section 6, in the event Lessor instructs Lessee to have major repairs in excess of \$10,000 per car done at Lessor's or its affiliate's facilities, notwithstanding that Lessee can show that it would be more cost-effective for such repairs to

be made at another facility selected by Lessee.

4. IDENTIFICATION MARKS. The Lessee will cause the Equipment to be kept numbered with the identifying numbers set forth on Schedule A attached hereto with respect thereto; and except as otherwise provided herein, Lessee will keep and maintain the distinctive exterior color scheme, marks, lettering, and signs present on the exterior of the Equipment, without making any changes, additions or deletions of any kind thereto or to any portion of the exterior of the Equipment. Lessee will replace promptly any such name, sign, lettering, marking, distinctive color pattern or words located anywhere on the Equipment in the event that the same are removed, defaced or destroyed. However, Lessor shall permit Lessee to remove the present logos of the Owner and replace those logos with appropriate logos of Lessee; further provided that Lessor gives prior approval to the form and substance of said Logos, which approval shall not be unreasonably withheld.

Subject to the foregoing, Lessee will not allow the name of any person, association or corporation other than Owner to be placed on the Equipment. Lessee will operate the Equipment only as currently marked. Lessee may apply to Lessor for permission to place temporary signs on the Equipment; however, Lessor may grant or deny such permission in its sole discretion; and any approval must be reflected in a writing signed by Lessor.

5. DISCLAIMER OF WARRANTIES. LESSEE ACKNOWLEDGES THAT: (i) THE EQUIPMENT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY LESSEE; (ii) LESSOR IS NOT A MANUFACTURER THEREOF OR A DEALER IN PROPERTY OF SUCH KIND; AND (iii) LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION THE CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE EQUIPMENT.

Lessor shall not in any event be responsible to Lessee or anyone claiming through Lessee for any damages, direct, consequential, or otherwise, resulting from the delivery, installation, lease, use, operation, performance or condition of any or all of the Equipment.

6. MAINTENANCE AND REPAIRS; CONDITION OF EQUIPMENT UPON DELIVERY; CONDITION OF EQUIPMENT UPON RETURN. At the commencement of this Lease, the Equipment shall be acceptable for interchange and shall be operable to the reasonable satisfaction of Lessee or shall at Lessor's sole expense, be made so operable. Until such time as the Equipment is operable, the Equipment which is not operable shall not be put into use, and a reasonably proportionate amount of Rent attributable to the inoperable pieces of the Equipment shall abate. All prepaid rent may be used to cover the costs or repossessing the cars if the Lessee defaults on the Lease. Lessee, at its own cost and expense, shall make all necessary and

appropriate repairs, replacements and renewals, whether ordinary or extraordinary, foreseen or unforeseen, in each case so as to keep the Equipment in good operating condition in accordance with the procedures recommended by the manufacturer thereof to the extent reasonably necessary to maintain in full force and effect such manufacturer's warranties. Lessor and Lessee hereby agree that Lessee will be obligated during the term of this Lease to pay for or undertake PC-1, PC-2 or PC-2a inspections with respect to the leased Equipment which may be required during the Term of the Lease. Such PC-1, PC-2 or PC-2a inspections shall be solely the obligation and responsibility of Lessee, and shall be conducted at the sole expense of Lessee.

Lessee shall submit to Lessor monthly mileage reports of the Equipment, evidencing the actual operation of the Equipment, as well as monthly reports and other appropriate documentation evidencing repairs and servicing of Equipment. Lessor reserves the right to specify the frequency of the servicing of the Equipment during the Term of the Lease, and Lessee shall comply with Lessor's instructions.

Damage to Equipment not constituting an Event of Loss which is estimated by an authorized inspector/appraiser to be more than \$5,000 per Car shall within 48 hours be reported to the Lessor. If any of the Equipment is damaged in an amount in excess of \$10,000 per Car, Lessor shall have the right to have such major repairs done at Lessor's or its affiliate's facilities.

Lessee, from the effective date hereof to the termination hereof, shall not change, remove and/or replace, add or in any other way modify either the interior or the exterior of the Equipment, regardless of whether such modification or alteration would be (except as otherwise provided in section 4 above) of a temporary or a permanent nature. The condition of the Equipment as delivered to Lessee shall be the condition of the Equipment as operated by Lessee during the Term of this Lease, normal wear and tear excepted.

Upon termination of the Term of this Lease and the return of the Equipment to Lessor, said Equipment shall be in the same interior and exterior cosmetic, mechanical, electrical, running or other operating condition as said Equipment was in at the time of its delivery into the possession of Lessee, normal wear and tear excepted.

The wheels for each Equipment shall have, upon said Equipment's return to Lessor, full tread contour and not less than two inches of remaining service metal. However, any individual wheel which, upon Lessee's taking possession of the Equipment, shall have two inches or less of remaining service metal shall be exempt from the foregoing requirement. In the event that any wheelsets have been replaced prior to the Equipment's return or

must be replaced upon said return, they must be replaced in kind, at Lessee's sole cost and expense. In addition, Lessee must repair to Lessor's sole satisfaction or replace in kind, at Lessee's sole cost and expense, all mechanical or electrical parts and on-board equipment, of the Equipment which have become nonoperative or lost during the Term of this Lease.

7. JOINT INSPECTION. Prior to the delivery of the Equipment into the possession of Lessee, Lessee and Lessor will jointly conduct a thorough inspection of the Equipment in California. Lessor and Lessee will jointly make note of all defects, blemishes, nonoperative elements or any other irregularities with respect to the Equipment, and such notations shall be marked down in the form of a list, a punch list or a check sheet ("Notations") to be filled out and signed by Lessee as of the date of delivery of the Equipment into Lessee's possession. Lessee or Lessor may, during the course of the inspection, make a videotape or photographic record of all or part of said inspection. Lessee shall be responsible for returning the Equipment to Lessor in its original delivered condition, normal wear and tear excepted, free of any defects, damage, scratches, marring, breakage, nonoperative element or irregularities other than those specifically noted as a result of the foregoing inspection, and Lessee shall be liable to Lessor for the repair, restoration or replacement of any element of the Equipment which is not returned to Lessor in its original delivered condition. In the event Lessee does not join Lessor to conduct such an inspection, then Lessor's Notations shall be used as the reference point in assessing the condition of the Equipment upon return to Lessor of the Equipment, in comparison to the original delivered condition.

8. COMPLIANCE WITH LAW. Lessee agrees to comply in all respects with all laws of the jurisdictions in which the Equipment may be operated, with the Interchange Rules of the Association of American Railroads and with all applicable rules of the Department of Transportation and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, Lessee further agrees that the Equipment will not be used by Lessee for any unlawful or other purpose which would violate any applicable statutes, regulations or ordinances.

In the event that such laws or rules require the alteration of the Equipment or in case any Equipment or appliance on any such Equipment shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Equipment (collectively "Modifications") in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make the affected Equipment available to Lessor immediately, at the destination of Lessor's choosing, for purposes of Lessor's completing said Modifications, at Lessor's expense. However, the obligations of Lessee under this Lease, including the

obligation to pay Rent, shall continue regardless of Lessee's loss of use of the Equipment due to any such Modification.

Or if Lessor determines in its sole discretion, that such Modifications cannot or will not be made, and if it is unlawful for the Equipment to continue in Lessee's operations without such Modifications having been made, then the parties agree that Lessee shall cease use of the Equipment and the Lease shall terminate in whole or in part and the Rentals attributable to the Equipment which requires the Modifications shall be abated, with no liability of Lessor or Owner to Lessee for breach of contract, business losses or any other damages.

All replacement parts for the Equipment shall be the property of the Owner of the Equipment and title thereto shall immediately vest in the Owner without further act at the time affixed to the Equipment. Lessee shall not make any additions, modifications, alterations or changes to the Equipment unless the same are approved in advance, in writing, by Lessor.

9. INSURANCE. Lessee shall, at its expense, from the date the Equipment is picked up for interchange, keep the Equipment insured against all risks of loss or physical damage ("Casualty Insurance"), with minimum limits of \$2,000,000.00 total and maximum limits of \$3,000,000.00 to cover all of the Equipment. Lessee shall provide Lessor with such certificates of Casualty Insurance prior to delivery of the Equipment into interchange for pick up by Lessee. While the Equipment is being operated by Lessee hereunder, Lessee, at its expense, shall provide and maintain comprehensive public liability insurance ("Liability Insurance"), in amounts and with other terms and conditions reasonably acceptable to Lessor, against claims for bodily injury, death and/or property damage arising out of the use, lease, ownership, possession, operation or condition of the Equipment; together with such other insurance as may be required by law or reasonably requested by Lessor. Proof of such Liability Insurance shall be provided to Lessor prior to the Lessee putting the Equipment into service.

All said Casualty and Liability and any other related insurance shall name the Owner, Transcisco Tours Inc., and Lessee as parties insured and shall be in form and amount and with insurers reasonably satisfactory to Lessor, and Lessee shall furnish to Lessor certificates of the policies of such insurance and each renewal thereof. Each insurer must agree by endorsement upon the policy or policies issued by it that it will give Lessor not less than 30 days written notice before such policy or policies are canceled or altered, and, under the physical damage insurance, that (a) losses shall be payable solely to Owner, and (b) no act or omission of Lessee or any of Lessee's officers, agents, employees or representatives shall affect the obligation of the insurer to pay the full amount of any loss. Lessee hereby irrevocably authorizes Lessor to make, settle and adjust claims under such

policy or policies of physical damage insurance and to endorse the name of Lessee on any check or other item of payment for the proceeds thereof; it being understood, however, that unless otherwise directed in writing by Owner or Lessor, Lessee shall make and timely file all claims under such policy or policies, and unless Lessee is then in default, Lessee may, with the prior written approval of Lessor, settle and adjust all such claims.

10. RISK OF LOSS. As used herein the term "Event of Loss" shall mean any of the following events with respect to any of the Equipment: (a) the actual or constructive total loss of such Equipment; (b) the loss, theft or destruction of such Equipment or damage to such Equipment to such extent as shall make repair thereof uneconomical or shall render such Equipment permanently unfit for normal use for any reason whatsoever; or (c) the condemnation, confiscation, requisition, seizure, forfeiture or other taking of title to, possession of or use of such Equipment. Except as expressly hereinafter provided, the occurrence of any Event of Loss or other damage to or deprivation of use of any of the Equipment, howsoever occasioned, shall not reduce or impair any obligation of Lessee hereunder, and, without limiting the foregoing, shall not result in any abatement or reduction in Rent whatsoever. Lessee hereby assumes and shall bear from and after the effective date hereof until the expiration or termination of the Term of this Lease and the return of the Equipment to Lessor, the entire risk of any Event of Loss or any other such damage to, or deprivation of use of, the Equipment, howsoever occasioned.

Upon the occurrence of any damage to any Equipment not constituting an Event of Loss, Lessee shall, at its sole cost and expense, and notwithstanding the limitations of any insurance reimbursements with respect thereto, promptly repair and restore such Equipment so as to return such Equipment to Lessor in substantially the same condition as existed prior to the date of such occurrence.

Upon the occurrence of an Event of Loss, Lessee shall immediately notify Lessor in writing of such occurrence, fully informing Lessor of all details with respect thereto, and, on or before the first to occur of (i) 30 days after the date upon which such Event of Loss occurs, or (ii) five days after the date on which Lessor shall receive any proceeds of insurance in respect of such Event of Loss or any underwriter of insurance on the Equipment shall advise Owner or Lessee in writing that it disclaims liability in respect of such Event of Loss, Lessee shall pay to Lessor an amount equal to (a) \$2,000,000 (the "Casualty Value"), less (b) the amount of any insurance proceeds or condemnation or similar award by a governmental authority then actually received by Owner on account of such Event of Loss. No delay or refusal by any insurance company or governmental authority in making payment on account of such Event of Loss shall extend or otherwise affect the obligations of Lessee hereunder.

Until such date as the Casualty Value is actually received in full by Lessor, Lessee shall continue to pay all Rent and other sums due hereunder up to and including the date of the expiration of the Term of this Lease. Upon the earlier of the expiration of the Term of this Lease or the actual receipt of the Casualty Value by Lessor, this Lease with respect to such Equipment shall terminate and all Rent reserved hereunder with respect to such Equipment, from the date such payment of the Casualty Value is received in full, as aforesaid, to what would have been the end of the Term hereof, shall abate.

11. GENERAL INDEMNITY. Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save, defend (at Lessee's sole expense) and hold Lessor harmless from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability arising out of Lessee's capacity or status as a common carrier), actions, suits, costs, expenses and disbursements (including, without limitation, legal fees and expenses) of any kind and nature whatsoever ("Claim" or "Claims") which may be incurred, imposed on or asserted against Lessor whether or not Lessor shall also be indemnified as to any such Claims by any other person (but in no event shall Lessor or Owner be entitled to more than one recovery), in any way relating to or arising out of this Lease or any of the documents executed by Lessee in connection herewith or any of the transactions contemplated hereby ("Lessee Documents"), or the performance or the enforcement after default of any of the terms hereof or of any of the Lessee Documents, or in any way relating to or arising out of the manufacture, ordering, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, registration, sale, return, storage or disposition of the Equipment or any accident in connection therewith (including, without limitation, discoverable latent defects but excluding, however, any latent defects which are not discoverable, and including any other discoverable or undiscoverable defects except for significant defects known to Lessor and intentionally not disclosed by Lessor to Lessee), and any Claims for patent, trademark or copyright infringement. The indemnity set forth in the prior sentence shall not include any Claim arising out of Lessor's operation of the Equipment prior to or subsequent to the Term of this Lease, except for any claims between Lessor and Lessee relating to this Lease. Lessee agrees that, subject to the foregoing, Lessor shall not be liable to Lessee for any Claims caused directly or indirectly by the inadequacy of the Equipment for any purpose; or any deficiency or defect therein; or the use or maintenance thereof; or any repairs, servicing or adjustments thereto; or any delay in providing or failure to provide any of the foregoing; or any interruption or loss of service or use thereof; or any loss of business, all of which shall be the risk and responsibility of Lessee. The indemnities and assumptions of liability provided in this Lease, including this Section 11 and Section 12 shall continue

in full force and effect notwithstanding the termination of this Lease, whether by expiration of time, by operation of law or otherwise.

12. GENERAL TAX INDEMNITY. In the event that any gross receipts tax, sales tax, use tax, retailer's occupation tax or other similar tax is due and owing by Lessor or Lessee during the Term hereof with respect to the Equipment subject to this Lease or the Rent attributable thereto, Lessee shall solely bear the cost of payment of such tax and shall indemnify Lessor from the payment of such tax. In the event that any such tax is paid by Lessor, the Rent shall be "grossed-up" as may be necessary to ensure that the net after-tax Rent received by Lessor is the amount set forth in Section 3. However, Lessee shall have no liability for any taxes due solely to the nature of Lessor's business and which are in no way related to the operation of the Equipment by Lessee.

13. DEPRECIATION. In the event Lessee purchases the Equipment, Lessee will be entitled to claim any depreciation deductions with respect to the Equipment for the taxable year in which the purchase occurs.

14. TITLE. Title to all Equipment shall remain in Owner exclusively. Lessee shall keep the Equipment free from all liens and encumbrances caused or suffered by Lessee. "Lien" means any mortgage, pledge, security interest, encumbrance, lien, charge or any other right or claim of any person. Lessee shall use the Equipment in a careful and proper manner, in compliance with all laws and regulations. Lessee shall execute and/or furnish to Lessor any further instruments and assurances reasonably requested from time to time by Lessor to protect Lessor's and Owner's interest in the Equipment, and Lessee shall at its expense otherwise cooperate to defend the title of Owner and to maintain the status of the Equipment as personal property.

15. QUIET ENJOYMENT. So long as Lessee shall not be in default and fully performs all of its obligations hereunder, Lessor will not interfere with the quiet use and enjoyment of the Equipment by Lessee.

16. RETURN. Upon the expiration or earlier termination of this Lease with respect to any Equipment, Lessee shall return such Equipment to Lessor. Lessee shall escrow an amount equivalent to the initial move cost to cover the cost of equipment return; which escrow sum shall not exceed \$8,000.00. Said escrow shall be established by Lessee within 90 days after the commencement of this Lease. Interest, if any, which is earned on the escrow sum shall inure to the benefit of the Lessee. An escrow agent mutually acceptable to the parties shall be selected to administer the escrow account and disbursement of the escrow funds pursuant to an escrow agreement. Lessee shall make such return, at its expense, by causing such Equipment to be delivered to such storage tracks

within the United States of America as Lessor may designate or, if Lessor does not so designate, to Oakland, California. Lessee shall bear all of the costs for such return which do not exceed the lesser of: (1) the actual costs of return; or (ii) the costs which would have been incurred to return the Equipment to Oakland, California. Lessee shall pay to Lessor on demand as additional Rent hereunder, the cost of any repairs necessary at the time of such return, to place the Equipment in the condition required by this Lease. The assembling, repair, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, repair, deliver, store and/or transport the Equipment. Equipment returned to the Lessor pursuant to this Section shall: (i) be in the condition required by Section 6 hereof; and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads.

17. LESSEE'S REPRESENTATIONS AND WARRANTIES. Lessee represents and warrants to Lessor that (a) Lessee is and shall at all times hereafter be duly organized and validly existing in good standing under the laws of the state of its incorporation as well as the state of its principal place of business; (b) Lessee has duly authorized the execution, delivery and performance of this Lease, and this Lease has been duly and validly executed and delivered by Lessee and constitutes and will constitute the valid and binding obligation of Lessee, and is and will be enforceable in accordance with its terms; (c) the execution, delivery and performance of this Lease by Lessee will not violate any law or other governmental requirement or, if Lessee is a corporation, Lessee's corporate charter or by-laws; nor will it constitute a default under any agreement, instrument or document to which Lessee is now or hereafter a party or by which Lessee is now or will hereafter be bound; and (d) the Equipment is being leased by Lessee solely for business or commercial purposes. Each of the above warranties shall be continuing throughout the term of this Lease.

18. ASSIGNMENT, SUBLEASE, MERGER. Lessee hereby consents to any assignment or encumbrance by Lessor of the Lease or of the rights of Owner in the Equipment, or obligations of Lessor pursuant to this Lease, without notice to Lessee. Lessee hereby further consents to any assignment or encumbrance by Lessor of all or any part of the Rent payable hereunder or the rights of Lessor in the Equipment, with or without notice. Lessee agrees that the rights hereunder of any assignee or creditor of Lessor shall not be subject to any defense, set-off or counterclaim that Lessee may have against Lessor, and that any such assignee or creditor shall have all of Lessor's rights hereunder. Notwithstanding the foregoing, no such assignment or encumbrance shall release any claim which Lessee may have against Lessor and no such assignment

shall increase Lessee's liability under this Lease.

Neither this Lease nor any of Lessee's rights or obligations hereunder shall be assignable by Lessee, either by its own act or by operation of law except upon the express written consent of Lessor. Any such attempted assignment shall be void and, at Lessor's or Owner's option, may be considered cause for termination of this Lease. Lessee further agrees it will not, without the prior written consent of Lessor, allow the Equipment to be used or operated by persons other than employees of Lessee, or other than under the diligent supervision of Lessee.

However, notwithstanding any other provisions appearing to the contrary, the parties specifically agree that Lessee may sublease this Lease to an affiliate of Lessee known as Wine Country Dinner Train and that said sublessee and the Lessee shall be jointly and severally liable to Lessor in any and all respects, in the event of breach or default by Lessee in the performance of any of its obligations hereunder.

19. LESSOR'S RIGHT TO PERFORM OBLIGATIONS. If Lessee shall fail to make any payment or perform any act or obligation required of Lessee hereunder, Lessor may (but need not) at any time thereafter make such payment or perform such act or obligation at the expense of Lessee. Any payment so made or expense so incurred by Lessor shall constitute additional Rent hereunder payable by Lessee to Lessor upon demand. The performance of any act or payment of any monies by Lessor, as aforesaid, shall not be deemed a waiver or release of any obligation or default on the part of Lessee.

20. TRAINING. Prior to Lessee's use or operation of the Equipment, Lessor at Lessee's expense will send a member of Lessor's mechanical staff to Paw Paw, Michigan to provide training to Lessee in the use and maintenance of the Equipment.

21. INSPECTION. Lessor shall have the right to inspect the Equipment during the Term of the Lease upon four calendar days' prior notice. Lessee shall pay to Lessor up to \$750.00 per inspection trip to cover the round trip air fare and one night's hotel accommodations for one of Lessor's personnel to inspect the Equipment once a month during each month of the Lease and at the conclusion of the Term of this Lease.

22. COMPLIMENTARY TICKETS. Lessee will provide Lessor with ten complimentary roundtrip tickets, for the dinner train operations run by the Lessee, on a space available basis, during the Term of this Lease. The maximum value for all of the tickets shall be \$500.00 (approximately \$50.00 per ticket).

23. EVENTS OF DEFAULT. Lessee shall be in default hereunder if any of the following events (each an "Event of Default") shall occur and be continuing: (a) Lessee shall fail to pay any

installment of Rent or other sum due hereunder and such failure shall continue for more than ten (10) days after the date due; or (b) Lessee shall fail to observe or perform any other provision of this Lease and such failure shall continue for more than ten (10) days after written notice thereof given by Lessor to Lessee; or (c) Lessee shall fail to maintain in effect any insurance required by this Lease; or (d) any representation or warranty of Lessee in this Lease or in any document executed by Lessee in connection herewith shall prove to be untrue when made in any material respect; or (e) Lessee shall become insolvent, cease doing business as a going concern or make an assignment for the benefit of creditors; or (f) Lessee shall apply for or consent to the appointment of a custodian, receiver, trustee or liquidator for all or substantially all of its property, or such a custodian, receiver, trustee or liquidator is appointed without the consent of Lessee and such appointment is not vacated within ten (10) days; or (g) a petition shall be filed by or against Lessee under the Federal Bankruptcy Act or any similar law or regulation providing for the relief of debtors (including, without limitation, a petition for reorganization, arrangement, composition, extension or liquidation), and if such petition is filed against Lessee it is not dismissed, within ten (10) days; or (h) the Equipment is moved beyond the geographic boundary set forth in Section 2.

24. REMEDIES UPON DEFAULT. If an Event of Default shall occur and be continuing, Lessor may, at its option, do one or more of the following: (a) terminate this Lease and Lessee's rights hereunder; (b) proceed by appropriate court action to enforce performance of the terms of this Lease and/or recover damages for the breach hereof; (c) by notice in writing, cause Lessee, at Lessee's expense, promptly to return the Equipment to the possession of Lessor in accordance with the terms of Section 6 and 16 hereof, or Lessor directly or by its agent, and without notice or liability or legal process may enter upon any premises where any Equipment is located, take possession of such Equipment, and either store it on said premises without charge or remove the same; and/or (d) declare as immediately due and payable and forthwith recover from Lessee, as liquidated damages and not as a penalty, an amount equal to all Rent and other sums then due and unpaid hereunder. In the event of any repossession of any Equipment by Lessor, Lessor may (but need not), without notice to Lessee, hold or use all or part of such Equipment for any purpose whatsoever. No termination, repossession or other act by Lessor after default shall relieve Lessee from any of its obligations hereunder. In addition to all other charges hereunder, Lessee shall pay to Lessor on demand all fees, costs and expenses incurred by Lessor as a result of such default, including without limitation, reasonable attorneys', appraisers' and brokers' fees and expenses and costs of removal, storage, transportation, insurance, redelivery to a location satisfactory to Lessor, and disposition of the Equipment. In the event that any court of competent jurisdiction determines that any provision of this Section 24 is invalid or unenforceable in whole

of in part, such determination shall not prohibit Lessor from establishing its damages sustained as a result of any breach of this Lease in any action or proceeding in which Lessor seeks to recover such damages. The remedies provided herein in favor of Lessor shall not be exclusive, but shall be cumulative and in addition to all other remedies existing at law or in equity, any one or more of which may be exercised simultaneously or successively.

25. NON-WAIVER. Lessor's failure at any time to require strict performance by Lessee of any provision hereof shall not waive or diminish Lessor's rights thereafter to demand strict performance thereof or of any other provision. None of the provisions of the Lease shall be held to have been waived by any act or knowledge of Lessor, but only by written instrument executed by Lessor and delivered to Lessee. Waiver of any default shall not be a waiver of any other or subsequent default.

26. NOTICES; INSPECTION, COMMUNICATIONS. Lessee shall give Lessor immediate notice of any attachment, judicial process, lien, encumbrance or claim affecting the Equipment, of which Lessee has become aware pursuant to Lessee's reasonable due diligence, any loss or damage to the Equipment or material accident or casualty arising out of the use, operation or condition of the Equipment, and any change in the residency or principal place of business of Lessee. Lessor may (but need not), for the purpose of inspection, at all reasonable business hours, enter from time to time upon the Equipment and upon any premises where the Equipment is located. All notices required or permitted hereunder shall be in writing and shall be deemed duly given if delivered personally or mailed, by first class, registered or certified mail, to the respective addresses of the parties set forth at the beginning of the Lease or any other address designated by notice served in accordance herewith.

27. MISCELLANEOUS. If any provision of the Lease or the application thereof is hereafter held invalid or unenforceable, the remainder of the Lease shall not be affected thereby, and to this end the provisions of this Lease are declared severable. Titles to Sections shall not be considered in the interpretation of the Lease. This Lease (including the Schedule attached hereto) sets forth the entire understanding between the parties and supersedes any and all prior written or verbal agreements or understandings regarding the subject matter hereof and may not be modified except in a writing signed by both parties. No options to purchase any of the Equipment or extend the Term of this Lease with respect to any Equipment have been granted to Lessee by Lessor, and none shall be implied by this Lease except as specifically set forth herein. Subject to the terms hereof, the Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective personal representatives, successors and permitted assigns.

28. LEASE EXTENSION AND PURCHASE OPTION: Lessor has the right to sell the leased Cars to other parties and shall give Lessee reasonable prior notice of such an intended sale. Lessee has a right of first refusal to match the proposed sales price and purchase the Car or Cars on the same terms and other conditions of the intended sale. This Lease shall be subject to termination 90 days after Lessor sends Lessee notice of sale, and all obligations of the parties hereunder (except for payment of any amounts due through the date of Lease termination) shall terminate. Absent prior sale, Lessee will also have the right at any time during the Term of this Lease to purchase the Equipment as set forth below.

The Purchase Price of the Equipment pursuant to this option in favor of the Lessee shall be \$1.8 million for all of the Equipment. Alternatively, if Lessor agrees, in Lessor's sole discretion, Lessee may be permitted to purchase some but not all of the Cars, with the per Car Purchase Price as set forth in Schedule A attached hereto, and such price shall also include all of the On-Board Equipment described in the inventory for the specific Car. Any Rent which is in excess of \$150,000 per year shall be credited towards the Purchase Price of the Equipment; with a maximum credit in any single year of \$50,000, if Lessee desires to purchase any of the Equipment.

Further, Lessee may request that Lessor agree, in Lessor's sole discretion, to renew or extend this Lease for an additional 12 months, under which extension or renewal, the Rent shall be the greater of a flat fee of \$15,000 per month; or 20% of the Lessee's monthly Gross Revenues.

29. LAW GOVERNING. The provisions of the Lease and all rights and obligations hereunder shall be governed by the laws of the State of California; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act, and such additional rights arising out of the filing, recording or depositing of this Lease or out of the marking on the Equipment as shall be conferred by the laws of the several jurisdictions in which this Lease shall be filed, recorded or deposited or in which the Equipment may be located.

30. RECORDING; EXPENSES. Lessee, at Lessee's sole expense, will cause the Lease to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. Lessee will promptly furnish to Lessor evidences of such filing, recording or depositing.

31. AUTHORIZATION, EXECUTION AND DELIVERY OF DOCUMENTS. It is a condition of the obligations of Lessor under this Lease that the following documents shall have been duly authorized, executed and delivered by the parties thereto, shall each be satisfactory in form and substance to Lessor, and shall be in full force and effect as of the date on which the Equipment shall be picked up by Lessee

for interchange:

A. Casualty Insurance. Lessor shall have received satisfactory evidence as to Lessee's due compliance with the provisions of Section 9 hereof regarding Casualty Insurance.

B. Recordation, etc. Lessor shall have received such other documents and evidence with respect to Lessee as Lessor may reasonably request in order to establish the consummation of the transactions contemplated by the Lease and compliance with the conditions set forth in this Section 31.

32. OFFICER'S CERTIFICATE. The following statements shall be correct and Lessor shall have received a certificate signed by the President or Vice President of Lessee, dated as of the effective date hereof, to the following effect: (i) the representations and warranties of Lessee contained in Section 17 hereof are correct on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties shall be correct on and as of such earlier date); and (ii) no event has occurred and is continuing, or would result from the leasing of such Equipment pursuant hereto, which constitutes an Event of Default as such term is defined above.

33. EFFECTIVE DATE. This Lease shall become effective as a binding obligation of the parties on August 29, 1991.

IN WITNESS WHEREOF, Lessor and Lessee have executed this

LESSOR:

LESSEE

Transcisco Tours Inc.

Kalamazoo, Lake Shore and
Chicago Railway

By *E.M. Armstrong*
Title PRESIDENT
Date AUGUST 29, 1991

By *Mark J. Campbell*
Title President & Co. V.
Date 9/6/91

Witness
Dan Guaravacca
Transcisco
9/6/91

SCHEDULE A

1. Description of Equipment and Per Car Purchase Price
(including applicable On-Board Equipment in such Car).

#800558 Dome Diner, Emerald Bay - \$450,000

#800559 Kitchen Car - \$600,000

#800556 Dome Lounge, Zephyr Cove - \$500,000

#800560 Dome Diner, Crystal Bay - \$450,000

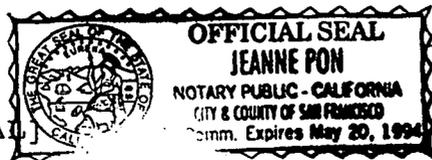
All Cars meet Amtrak requirements.

All Cars are suitable for interchange.

On-board equipment, tableware, linen, china, glassware and utensils and food preparation materials (collectively, "On-Board Equipment"), have been inventoried and as set forth in said inventory, have been included in the respective Car or Cars.

STATE OF California)
) ss:
COUNTY OF San Francisco)

On this 29th day of August, 1991, before me personally appeared Eugene M. Armstrong, to me personally known, who, being by me duly sworn, says that he is a President + Chief Executive Officer of Transcisco Tours, Inc. and that said instrument was signed and sealed on behalf of said corporation as duly authorized; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Jeanne Pon
Notary Public

[NOTARIAL SEAL]

STATE OF _____)
) ss:
COUNTY OF _____)

On this _____ day of _____, 1991, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of Kalamazoo, Lake Shore and Chicago Railway and that said instrument was signed and sealed on behalf of said corporation as duly authorized; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]