

Serving the Area Since 1863

RECORDATION # 20165 FILED

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October 12, 2000

Surface Transportation Board
1925 K Street NW, Suite 704
Attn: Recordation of Railroad Equipment
Washington, D.C. 20423-0001

SURFACE TRANSPORTATION BOARD

Dear Secretary:

I have enclosed two originals to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a mortgage, a primary document dated 6-23-00.

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

MORTGAGOR: Diesel Supply Company, Inc
Paul J. Kramer, President
1601 Industrial Road
Hudson, WI 54016
715-386-3901

MORTGAGEE: The First National Bank of Hudson
Alan H. VanDenBroeke, Senior Vice President
2200 Crest View Dr
PO Box 187
Hudson, WI 54016
715-381-2200

A description of the equipment covered by the document follows:

1 E.M.D. PARRONS LOCOMOTIVE
MORSE SW-1500 Rolls # 2307

A fee of \$26.00 is enclosed. Please return 1 original and any other documents not needed by the Board for recordation to:

The First National Bank of Hudson
Alan H. VanDenBroeke, Senior Vice President
2200 Crest View Dr
PO Box 187
Hudson, WI 54016

Sincerely,

Alan H. VanDenBroeke
Senior Vice President

AHV/crd

HUDSON

307 2nd Street
P.O. Box 187
Hudson, WI 54016-0187
715-386-5511
651-436-8441
FAX: 715-386-9174

2200 Crest View Drive
P.O. Box 187
Hudson, WI 54016-0187
715-381-2200
FAX: 715-381-2210

HAMMOND

915 Davis Street
P.O. Box 28
Hammond, WI 54015-0028
715-796-2211
FAX: 715-796-2422

BALDWIN

1660 11th Avenue
P.O. Box 17
Baldwin, WI 54002-0017
715-684-3266
FAX: 715-684-3479

ELLSWORTH

420 E. Main Street
P.O. Box 190
East Ellsworth, WI 54010-0190
715-273-6680
FAX: 715-273-6678

NORTH BRANCH

38860 10th Avenue
P.O. Box 520
North Branch, MN 55056-0520
651-674-5000
FAX: 651-674-8856

STACY

5655 Stacy Trail
P.O. Box 111
Stacy, MN 55079-0111
651-462-1919
FAX: 651-462-4966

WOODBURY

1835 Radio Drive
Woodbury, MN 55125-9452
651-735-5000
FAX: 651-735-4876

1. SECURITY INTEREST

Dated JUNE 23, 2000

The undersigned ("Debtor", whether one or more) grants The First National Bank of Hudson ("Lender") a security interest in property, wherever located, checked in Section 2 ("Collateral") to secure all debts, obligations and liabilities of any Debtor to Lender arising out of credit previously granted, credit contemporaneously granted and credit granted in the future by Lender to any Debtor, to the Debtor and another, or to another guaranteed or indorsed by any Debtor ("Obligations").

RECORDATION NO. 23163 FILED

2. DESCRIPTION OF COLLATERAL

One or more boxes must be checked.

- (a) All Collateral. (b) Scheduled Collateral. (c) Specific Collateral. (d) All Inventory. (e) All Receivables. (f) All Equipment. (g) All General Intangibles.

1 E.M.D. RAILROAD LOCOMOTIVE MODEL SW-1500 ROAD #2307
1 E.M.D. RAILROAD LOCOMOTIVE MODEL SW 1500 ROAD #2312

OCT 16 00 2-26 PM SURFACE TRANSPORTATION BOARD RELEASED ACU

and all additions and accessions to, all spare and repair parts, special tools, equipment and replacements for, all returned or repossessed goods the sale of which gave rise to, and all proceeds and products of the foregoing.

3. DEBTOR'S WARRANTIES

- (a) Ownership. (b) Sale of goods or services rendered. (c) Enforceability. (d) Due date. (e) Financial condition of account debtor. (f) Valid organization. (g) Other agreements. (h) Authority to contract. (i) Accuracy of information. (j) Addresses. (k) Change of name or address. (l) Environmental laws. (m) Fixtures.

4. SHIPPERS

Shippers authorized to draw drafts on Lender under section 8(c) are: n/a

5. PERSONS BOUND AND OTHER PROVISIONS

The obligations hereunder of all Debtors are joint and several. This Agreement benefits Lender, its successors and assigns, and binds Debtor(s) and their respective heirs, personal representatives, successors and assigns. THIS AGREEMENT INCLUDES ADDITIONAL PROVISIONS ON REVERSE SIDE.

Address: 1601 INDUSTRIAL STREET HUDSON WI 54016

County: ST. CROIX

By: Alan H. VanDenBroeke Senior Vice President The First National Bank of Hudson

DIESEL SUPPLY COMPANY, INC. (SEAL)

BY PAUL J. KRAMER PRESIDENT (SEAL)

(SEAL)

(SEAL)

(SEAL)

ADDITIONAL PROVISIONS
6. SALE AND COLLECTIONS

(a) **Sale of inventory.** So long as no default exists under any of the Obligations or this Agreement, Debtor may (a) sell inventory in the ordinary course of Debtor's business for cash or on terms customary in the trade, at prices not less than any minimum sale price shown on instruments evidencing Obligations and describing inventory, or (b) lease inventory on terms customary in the trade.

(b) **Verification and notification.** Lender may verify Collateral in any manner, and Debtor shall assist Lender in so doing. Upon default Lender may at any time and Debtor shall, upon request of Lender, notify the account debtors to make payment directly to Lender and Lender may enforce collection of, set-off, compromise, extend or renew the indebtedness of such account debtors. Until account debtors are so notified, Debtor, as agent of Lender, shall make collections on the Collateral. Lender may at any time notify the bailee of any Collateral of Lender's security interest.

(c) **Deposit with Lender.** At any time Lender may require that all proceeds of Collateral received by Debtor shall be held by Debtor upon an express trust for Lender, shall not be commingled with any other funds or property of Debtor and shall be turned over to Lender in precisely the form received (but indorsed by Debtor if necessary for collection) not later than the business day following the day of their receipt. All proceeds of Collateral received by Lender directly from Debtor shall be applied against the Obligations in such order and at such times as Lender shall determine.

7. DEBTOR'S COVENANTS

Debtor agrees:

(a) **Maintenance of Collateral.** Debtor shall: maintain the Collateral in good condition and repair and not permit its value to be impaired; keep it free from all liens, encumbrances and security interests (other than Lender's security interest); defend it against all claims and legal proceedings by persons other than Lender; pay and discharge when due all taxes, license fees, levies, and other charges upon it; not sell, lease or otherwise dispose of it or permit it to become a fixture or an accession to other goods, except for sales or leases of inventory as provided in this Agreement, not permit it to be used in violation of any applicable law, regulation or policy of insurance; and, as to Collateral consisting of instruments and chattel paper, preserve rights in it against prior parties. Loss of or damage to the Collateral shall not release Debtor from any of the Obligations.

(b) **Insurance.** Debtor shall keep the Collateral and Lender's interest in it insured under policies with such provisions, for such amounts and by such insurers as shall be satisfactory to Lender from time to time, and shall furnish evidence of such insurance satisfactory to Lender. Subject to Lender's satisfaction, Debtor is free to select the insurance agent or insurer through which insurance is obtained. Debtor assigns (and directs any insurer to pay) to Lender the proceeds of all such insurance and any premium refund, and authorizes Lender to indorse in the name of Debtor any instrument for such proceeds or refunds and, at the option of Lender, to apply such proceeds and refunds to any unpaid balance of the Obligations, whether or not due, and/or to restoration of the Collateral, returning any excess to Debtor. Lender is authorized, in the name of Debtor or otherwise, to make, adjust and/or settle claims under any credit insurance financed by Lender or any insurance on the Collateral, or cancel the same after the occurrence of an event of default.

(c) **Maintenance of security interest.** Debtor shall pay all expenses and, upon request, take any action reasonably deemed advisable by Lender to preserve the Collateral or to establish, determine priority of, perfect, continue perfected, terminate and/or enforce Lender's interest in it or rights under this Agreement.

(d) **Taxes and other charges.** Debtor shall pay and discharge all lawful taxes, assessments and government charges upon Debtor or against Debtor's properties prior to the date on which penalties attach, unless and to the extent only that such taxes, assessments and charges are contested in good faith and by appropriate proceedings by Debtor.

(e) **Records and statements.** Debtor shall furnish to Lender financial statements at least annually and such other financial information respecting Debtor at such times and in such form as Lender may request. Debtor shall keep accurate and complete records respecting the Collateral in such form as Lender may approve. At such times as Lender may require, Debtor shall furnish to Lender a statement certified by Debtor and in such form and containing such information as may be prescribed by Lender, showing the current status and value of the Collateral.

(f) **Inspection of Collateral.** At reasonable times Lender may examine the Collateral and Debtor's records pertaining to it, wherever located, and make copies of records. Debtor shall assist Lender in so doing.

(g) **Service charge.** In addition to the required payments under the Obligations and this Agreement, Debtor shall pay Lender's then current service charges for servicing and auditing in connection with this Agreement.

(h) **Chattel paper.** Lender may require that chattel paper constituting Collateral shall be on forms approved by Lender. Debtor shall promptly mark chattel paper constituting Collateral, and all copies, to indicate conspicuously the Lender's interest and, upon request, deliver them to Lender.

(i) **United States contracts.** If any accounts or contract rights constituting Collateral arose out of contracts with the United States or any of its departments, agencies or instrumentalities, Debtor will notify Lender and execute writings required by Lender in order that all money due or to become due under such contracts shall be assigned to Lender and proper notice of the assignment given under the Federal Assignment of Claims Act.

(j) **Modifications.** Without the prior consent of Lender, Debtor shall not alter, modify, extend, renew or cancel any accounts or chattel paper constituting Collateral or any Collateral constituting part of the Debtor's borrowing base.

(k) **Returns and repossessions.** Debtor shall promptly notify Lender of the return or repossession by Debtor of goods underlying any Collateral and Debtor shall hold and dispose of them only as Lender directs.

8. RIGHTS OF LENDER

(a) **Authority to perform for Debtor.** Upon the occurrence of an event of default or if Debtor fails to perform any of Debtor's duties set forth in this Agreement or in any evidence of or document relating to the Obligations, Lender is authorized, in Debtor's name or otherwise, to take any such action including without limitation signing Debtor's name or paying any amount so required, and the cost shall be one of the Obligations secured by this Agreement and shall be payable by Debtor upon demand with interest from the date of payment by Lender at the highest rate stated in any evidence of any Obligation but not in excess of the maximum rate permitted by law.

(b) **Charging Debtor's credit balance.** Unless a lien would be prohibited by law or would render a nontaxable account taxable, Debtor grants Lender, for further security for the Obligations, a security interest and lien in any deposit account Debtor may at any time have with Lender and other money now or hereafter owed Debtor by Lender and, in addition, agrees that Lender may, at any time after the occurrence of an event of default, without prior notice or demand, set-off all or any part of the unpaid balance of the Obligations against any deposit balances Debtor may at any time have with Lender, or other money now or hereafter owed Debtor by Lender.

(c) **Power of attorney.** Debtor irrevocably appoints any officer of Lender as Debtor's attorney, with power after an event of default to receive, open and dispose of all mail addressed to Debtor; to notify the Post Office authorities to change the address for delivery of all mail addressed to Debtor to such address as Lender may designate; and to endorse the name of Debtor upon any instruments which may come into Lender's possession. Debtor agrees that Obligations may be created by drafts drawn on Lender by shippers of inventory named in section 4. Debtor authorizes Lender to honor any such draft when accompanied by invoices aggregating the amount of the draft and describing inventory to be shipped to Debtor or to pay any such invoices not accompanied by draft. Debtor appoints any employee of Lender as Debtor's attorney, with full power to sign Debtor's name on any instrument evidencing an Obligation, or any renewals or extensions, for the amount of such drafts honored by Lender and such instruments may be payable at fixed times or on demand, and shall be payable at the rate from time to time fixed by Lender. Debtor agrees, upon request of Lender, to execute any such instruments. This power of attorney shall execute instruments may be revoked by Debtor only by written notice to Lender and no such revocation shall affect any instruments executed prior to the receipt by Lender of such notice. All acts of such attorney are ratified and approved and such attorney shall not be liable for any act or omission or for any error of judgment or mistake of fact or law.

(d) **Non-liability of Lender.** Lender has no duty to determine the validity of any invoice, the authority of any shipper named in section 4 to ship goods or Debtor or compliance with any order of Debtor. Lender has no duty to protect, insure, collect or realize upon the Collateral or preserve rights in it against prior parties. Debtor releases Lender from any liability for any act or omission relating to the Obligations, the Collateral or this Agreement, except Lender's willful misconduct.

9. DEFAULT

Upon the occurrence of one or more of the following events of default:

(a) **Nonperformance.** Debtor fails to pay when due any of the Obligations or to perform, or rectify breach of, any warranty or other undertaking by Debtor under this Agreement or in any evidence of or document relating to the Obligations;

(b) **Inability to Perform.** Debtor, Debtor's Spouse or a surety for any of the Obligations dies, ceases to exist, becomes insolvent or the subject of bankruptcy or insolvency proceedings;

(c) **Misrepresentation.** Any representation made to induce Lender to extend credit to Debtor, under this Agreement or otherwise, is false in any material respect when made; or

(d) **Insecurity.** Any other event which causes Lender in good faith to deem itself insecure; or all of the Obligations shall, at the option of Lender and without any notice or demand, become immediately payable; and Lender shall have all rights and remedies for default provided by the Wisconsin Uniform Commercial Code, as well as any other applicable law and any evidence of or document relating to any Obligation. With respect to such rights and remedies:

(e) **Repossession.** Lender may take possession of Collateral without notice or hearing, which Debtor waives;

(f) **Assembling Collateral.** Lender may require Debtor to assemble the Collateral and to make it available to Lender at any convenient place designated by Lender;

(g) **Notice of disposition.** Written notice, when required by law, sent to any address of Debtor in this Agreement at least 10 calendar days (counting the date of sending) before the date of a proposed disposition of the Collateral is reasonable notice;

(h) **Expenses and application of proceeds.** Debtor shall reimburse Lender for any expense incurred by Lender in protecting or enforcing its rights under this Agreement before and after judgment, including, without limitation, reasonable attorneys' fees and legal expenses and all expenses of taking possession, holding, preparing for disposition and disposing of the Collateral. After deduction of such expenses, Lender may apply the proceeds of disposition to the Obligations in such order and amounts as it elects; and

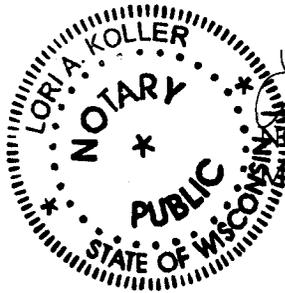
(i) **Waiver.** Lender may permit Debtor to remedy any default without waiving the default so remedied, and Lender may waive any default without waiving any other subsequent or prior default by Debtor.

10. INTERPRETATION

The validity, construction and enforcement of this Agreement are governed by the internal laws of Wisconsin. All terms not otherwise defined have the meanings assigned to them by the Wisconsin Uniform Commercial Code. Invalidity of any provision of this Agreement shall not affect the validity of any other provision. This Agreement is intended by Debtor and Lender as a final expression of this Agreement and as a complete and exclusive statement of its terms, there being no conditions to the enforceability of this Agreement. This Agreement may not be supplemented or modified except in writing.

STATE OF WISCONSIN)
) SS.
COUNTY OF ST. CROIX)

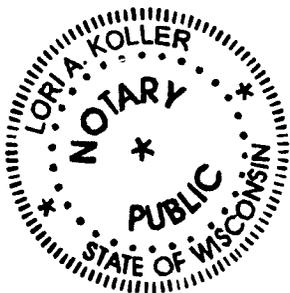
The foregoing instrument was acknowledged before me this 23RD day of JUNE 2000 by Paul J. Kramer, the President of Diesel Supply Company, Inc., a Wisconsin Corporation, on behalf of the Corporation.



Lori A. Koller
NOTARY PUBLIC
MY COMMISSION EXPIRES Feb 04, 2001

STATE OF WISCONSIN)
) SS.
COUNTY OF ST. CROIX)

The foregoing instrument was a acknowledged before me this 23RD day of JUNE 2000, by Alan H. VanDenBroeke, a Senior Vice President of First National Bank of Hudson, a National Banking Association, on behalf of the Corporation.



Lori A. Koller
NOTARY PUBLIC
MY COMMISSION EXPIRES Feb 04, 2001