

A18158
HCRRRA: Contract No. ~~A18158~~
August 3, 1998

**TRACKAGE RIGHTS AGREEMENT
BETWEEN
SOO LINE RAILROAD COMPANY,
TWIN CITIES & WESTERN RAILROAD COMPANY
AND
HENNEPIN COUNTY REGIONAL RAILROAD AUTHORITY**

THIS Agreement, made and entered into this 10th day of August, 1998 by and between the SOO LINE RAILROAD COMPANY, a Minnesota corporation doing business as Canadian Pacific Railway (hereinafter sometimes called "Soo"), TWIN CITIES & WESTERN RAILROAD COMPANY, a Minnesota corporation (hereinafter sometimes called "TCW") and the HENNEPIN COUNTY REGIONAL RAILROAD AUTHORITY, a political subdivision and local government unit of the State of Minnesota (hereinafter sometimes called the "Authority").

RECITALS

The Authority presently owns a line of railroad approximately 2.5 miles in length, extending from a point of connection with Soo trackage in the City of St. Louis Park, in the vicinity of Lake Street and the westerly city limits of the City of Minneapolis, northeasterly to a point of connection with trackage owned and operated by The Burlington Northern and Santa Fe Railway Company in the vicinity of Cedar Lake, in the City of Minneapolis. The Authority acquired the right-of-way, bridges and other related structures, but not the trackage, west from the Chicago and North Western Transportation Company (hereinafter called "CNW") in 1984. CNW retained ownership of the trackage, including rails and ties, and was granted an easement to continue freight service over said line of railroad.

On July 26, 1993, CNW granted overhead trackage rights to Soo and TCW over said trackage, subject to an Operating Agreement dated December 31, 1990 between CNW and the Authority.

CNW subsequently abandoned its operating rights over said railroad line and sold its interest in the trackage, including rail and ties, to the Authority. The Authority acquired the trackage subject to the trackage rights held by the Soo and TCW.

Soo and the Authority entered into an Agreement dated December 23, 1992 in which the parties agreed to cooperate in obtaining a rail route alternative to the 29th Street trackage in the City of Minneapolis, being acquired by the Authority pursuant to said Agreement. The Cedar Lake line of railroad described in the first recital has been identified by the parties as an alternative route under the December 23, 1992 Agreement.

The Soo and TCW desire to commence operations over this trackage on or after the date of this Agreement as a result of the implementation of the earlier agreements mentioned above.

The parties, therefore, agree as follows:

SECTION 1 - DEFINITIONS

1.1. "Agreement" shall mean this Agreement dated 8/6, 1998. All references in this document to Exhibits are to those attached to, and made a part of, this Agreement.

1.2. "Rail Line" is defined as the trackage and underlying right-of-way formerly owned by the CNW, extending from a point of connection with Soo Line trackage at or near CNW milepost 16.2 in the City of St. Louis Park, easterly to CNW milepost 13.7 at a point of connection with BNSF in the City of Minneapolis.

1.3. "Rail Corridor" shall mean the area where a right of use is created by this Agreement providing for operation by Soo and TCW over the Rail Line consisting of a corridor 50 feet in width centered on the Rail Line, except where the Authority does not own sufficient land to provide a 50-

foot corridor, and where the Kenilworth Trail as described in Section 1.5 is to be located less than 25 feet from the center line of the Rail Line. The Rail Corridor is further described in Exhibit (A).

1.4 "Railroad(s)" shall mean the Soo and TCW.

1.5 "Kenilworth Trail" shall mean the public trail described in Exhibit (B) attached hereto.

1.6. "Sole Employees" and "Sole Property" shall mean employees, agents, contractors, passengers, invitees, railroad and motor vehicle equipment, including lading, and other equipment of each of the parties or their agents or contractors while engaged in, or about to engage in, maintaining, using, operating, constructing, repairing, renewing, replacing and improving the trackage in the Rail Corridor, or in switching or handling railroad cars of the respective parties hereto.

1.7. "Taxes" shall mean lawfully imposed real estate taxes and assessments including, but not limited to, special assessments.

1.8. "Trackage" shall mean all rail, cross ties, related track appliances such as spikes and tie plates (sometimes known as "other track material"), ballast, all grade crossing signals and other signal and communication equipment located upon the Rail Line, and including trackage laid in and across public streets and highways.

SECTION 2 - GRANT OF RIGHTS

2.1. Subject to the terms and conditions in this Agreement, Authority grants to Soo and TCW, and their respective permitted assigns, non-exclusive rights to conduct railroad operations over the Rail Line within the Rail Corridor for the operation of freight trains, occasional passenger trains, locomotives, cabooses , rail cars, maintenance-of-way equipment and other rail equipment in common with other railroad users the Authority may admit to the joint use of the Rail Line in the future. This grant of rights shall be known as the Rail Corridor rights under this Agreement and

supersedes and replaces all other agreements, including trackage rights agreements between CNW and Soo, and between CNW and TCW, governing use of the Rail Line in the Rail Corridor.

2.2 The Authority shall convey a Railroad Easement to TCW in the form shown on Exhibit C attached.

2.3. Soo and TCW shall not have the right to set out, pick up or store cars or switch any existing or future industries on the Rail Line, or serve any industry or team tracks now or hereafter located on the Rail Line without the express written consent of the Authority. Neither Soo nor TCW may admit additional tenants, and assignment of existing operating rights shall require the consent of the Authority, except as otherwise provided in this Agreement.

2.4. Nothing in this Agreement is to be construed as establishing any common carrier status on the part of the Authority.

2.5. Soo and TCW acknowledge that, concurrent with the exercise of their rights and obligations under this Agreement, the City of Minneapolis will exercise rights granted to it by the Authority for the Kenilworth Trail (State Project No. 141-090-05) in proximity to the Rail Corridor as more fully described in Exhibit B and made a part of this acknowledgment.

SECTION 3 - RENT

3.1. The rental for use of the Rail Corridor payable by TCW or Soo, in addition to payment of any expenses provided elsewhere in this Agreement, shall be \$7.50 per train mile, for each train operated by either TCW or Soo. To compute charges, the train mile rate shall be multiplied by 2.5 miles. Any movement of one or more pieces of railroad equipment over the Rail Corridor, except maintenance-of-way equipment and work trains while actually engaged in work on the Rail Corridor, shall be considered a train movement.

3.2. Rent shall be payable to the Authority quarterly. The rate of \$7.50 per train mile shall be adjusted retroactively to July 1, 1992 and on each July 1 thereafter, by utilization of the Annual

Indices of Charge-Out Prices and Wage Rates (1977= 100) Series RCR, included in the "AAR Railroad Cost Recovery Index", and supplements thereto, issued by the Association of American Railroads. In making such adjustment, the final "Material prices, wage rates and supplements combined (excluding fuel)" Index for the Western District for the calendar year 1990 shall be compared to the final Index for the calendar year immediately preceding the year in which such adjustment is to become effective. Said Train Mile Rate shall then be adjusted by the percentage of increase or decrease, as the case may be, in the Index of the year to be escalated as related to the year 1990, provided, however, that said Train Mile Rate shall never be less than \$7.50. If the Association of American Railroads, or any successor organization or association, discontinues such Index, an appropriate substitute for determining in a similar manner the percentage of increase or decrease in the Train Mile Rate shall be agreed upon by the parties hereto.

3.3. At such time as use of, and the right to use, the Rail Corridor is terminated by written notice by either Soo or TCW, the terminating party shall have no further obligation to pay rental to the Authority and shall have no claim against the Authority for any payment of any kind, except as may have arisen prior to such termination or by reason of other provisions of this Agreement. At such time as TCW relinquishes its right to use the Rail Corridor, Soo shall become obligated to pay a minimum Annual Rental until such time as Soo provides written notice to the Authority of its intention to permanently abandon Railroad rights to use the Rail Corridor. Soo shall be obligated to pay a minimum Annual Rental of \$10,000 for any year in which rentals payable in accordance with Sections 3.1 and 3.2 do not reach \$10,000. In such case, the minimum Annual Rental payment shall be in lieu of rental required under Section 3.1 and Section 3.2.

SECTION 4 - MAINTENANCE, CONTROL AND OPERATIONS

4.1. **TCW shall have the exclusive management, direction and control of the Rail Corridor, including the obligation to dispatch rail traffic, at its sole cost and expense.** In dispatching,

directing and controlling use of the Rail Corridor, TCW shall not discriminate against the trains of Soo or any other railroad tenants admitted to use of the rail line. In the event the Authority seeks to admit additional railroad tenants to use of the Rail Line, the Authority agrees to require such tenant to agree to terms, including liability, substantially as contained in this Agreement. The parties agree to renegotiate this Section 4 in the event any additional railroad tenants are admitted to use of the Rail Line by the Authority in order that additional costs incurred by TCW that are attributable to such additional tenants may be fairly compensated.

4.2(1) TCW shall perform all construction, derailment and wreck clearing, maintenance, repair and renewal of the Trackage, including any additions Soo or TCW may deem necessary or desirable for the safe and efficient operation of all trains. Any additions deemed necessary or desirable for the safe and efficient operation of trains will be paid for by the Railroad or Railroads requesting the same. The cost of derailment and wreck clearing are governed by Section 10. The Authority shall reimburse TCW for construction, maintenance, repair and renewal costs, as outlined in Section 4.3. The provisions of Sections 4.2(2) through 4.2(6) shall control as between the Railroads in the case of conflict with other provisions of this Agreement.

4.2(2) TCW shall employ all persons necessary to operate, maintain, repair and renew the Rail Corridor. TCW shall be bound to use only reasonable and customary care, skill and diligence in the operation, maintenance, repair, renewal and management of the Rail Corridor and Soo shall not, by reason of TCW's performing or failing, or neglecting to perform any operation, maintenance, repair, renewal or management of the Rail Corridor, have or make against TCW any claim or demand for delay, loss, damage, destruction, injury or death whatsoever resulting from TCW's performance, failure or neglect, except as otherwise provided in Section 10.3.

4.2(3) Soo, at its expense, shall install and maintain upon its trains, locomotives, cabooses and cars such equipment or devices as may now or in the future be necessary or appropriate, in the reasonable judgment of TCW for the safe and efficient operation of trains over the Rail Corridor.

4.2(4) If the use of the Rail Corridor is at any time interrupted or traffic over the Rail Corridor is delayed for any cause, TCW shall, with reasonable diligence, restore the line for the passage of trains of the parties. Neither Railroad shall have or make any claim against the other for loss or damage of any kind resulting from such interruption or delay.

4.2(5) The operation of Soo over the Rail Corridor shall at all times be in accordance with the General Code of Operating Rules, or such other rules as TCW and Soo agree upon, TCW timetables, bulletins, instructions and restrictions, but such rules, instructions and restrictions shall be reasonable, just and fair between all Railroads using the Rail Corridor and shall not unjustly discriminate against any of them. TCW shall provide Soo with a copy of existing rules and instructions and provide Soo with prior, written notice of any changes in such rules or instructions. These rules and instructions shall include, but not be limited to, General Code of Operating Rules, Timetables, Special Instructions, Bulletins, General Orders and authoritative directions of Train Dispatchers and Operating Officers and all applicable federal statutes and regulations regarding railroad safety.

4.2(6) All employees of Soo engaged in the operation of Soo trains over the Rail Corridor shall be required to qualify, at Soo's expense, to operate over the Rail Corridor. TCW shall have the right to bar Soo employees from service over the Rail Corridor for cause until such time the barred individual is deemed to be qualified.

4.3. The Authority will reimburse TCW for construction, maintenance, repair and renewal costs on an annual basis upon presentation of a complete description of work done and materials used for the preceding calendar year. The Authority shall have the right to audit such billings and

to inspect work done upon reasonable notice. The Authority's obligation to reimburse TCW for such costs shall be limited to sixty percent (60%) of the trackage rights fees paid to the Authority by all users for the calendar year during which the maintenance charges were incurred, subject to an authorized minimum expenditure for maintenance cost of \$16,000 per year in any year when trackage rights fees are not sufficient to justify expenditures to that level. The authorized minimum expenditure shall be adjusted annually from \$16,000 beginning July 1, 1999 and thereafter in accordance with the formula set forth in Section 3.2 hereof. The authorized expenditures for maintenance, as limited by the foregoing, shall be known as the *Maintenance Allowance*. Any unexpended Maintenance Allowance may be drawn upon in future years for authorized expenditures, including the above minimum expenditure. TCW may draw, as additional Maintenance Allowance, an amount equivalent to a maximum of 100% of the prior year's rentals as calculated under Section 3, only for the following purposes:

1. To reach the authorized minimum expenditure for maintenance of \$16,000 per year;
or
2. To carry out necessary bridge repairs or repairs to crossing signals.

If at any time the cumulative Maintenance Allowances justified by rental payments and this Section 4.3 are not sufficient to permit the safe and continued operation of the Rail Line, the additional maintenance and repair costs will be borne by the Authority. The Authority shall have no other obligation to reimburse TCW for construction, maintenance, repair or renewal costs, including long-term rehabilitation and capital expenditures.

4.4. Prior to commencement of operations over the Rail Corridor under this Agreement, MNDOT will arrange for rehabilitation of the Rail Line to FRA Class 2 standards. Following said commencement of operations, all maintenance, rehabilitation, renewal, reconstruction, repairs and improvements, replacement, including bridges, grade crossings and signals, will be the sole

responsibility of TCW to perform, the costs of which shall be reimbursed by the Authority, in accordance with Section 4.3.

4.5. TCW shall have a right of access over other portions of the Rail Corridor within 25 feet either side of the center line of the now existing Trackage for the sole purpose of maintaining said Tackage over the Rail Corridor, except as limited by the physical proximity of fencing for the pedestrian and bicycle trails as provided for in the Kenilworth Trail (Exhibit B). Provided, however, that TCW shall not have the right to remove trees and other vegetation found more than 15 feet either side of the center line of the now existing trackage, except for purposes of wreck clearance, track repair, visibility at grade crossings, or with the consent of the Authority.

4.6. Neither Soo nor TCW shall be permitted to erect any structures in or upon the Rail Corridor without the express written permission of the Authority. The Authority shall not construct any facility in or over the Rail Corridor where the vertical distance between the top of the rail or the ground surface of the Rail Corridor, and any part of the facility, is less than 23 feet.

4.7. Unless otherwise ordered by the State, the Authority shall not pay the expenses of any public crossing of the Rail Corridor which may be opened or improved, including all expenses of crossing protection, unless such crossings are requested or opened by the Authority. The Authority shall not be responsible for any expenses incurred by Soo or TCW as a result of activities of third parties not authorized by the Authority occupying or otherwise interfering with the Rail Corridor, except as otherwise provided in this Agreement.

4.8. The Authority will permit construction of pedestrian and bicycle trails in proximity to the Rail Line as shown in Exhibit B. At any point where a trail is located within 25 feet of the center line of the Trackage, a fence along the boundary of the trail corridor will be provided, maintained and promptly repaired at no expense to Soo or TCW by the City of Minneapolis. No

trespassing and other appropriate warning signs shall be provided by the City. The Authority will require that the City agree to the terms of this provision.

SECTION 5 - TERMINATION

5.1. The Rail Corridor rights shall become effective upon execution of this Agreement, and shall continue in full force and effect until terminated by either TCW or Soo as to the respective rights of the terminating party upon thirty (30) days' written notice, which notice may be given at any time. **Traffic, other facilities and all improvements to the Rail Corridor will remain the property of the Authority.** The permanent easement conveyed, however, may not be terminated by the Authority, except in accordance with this Agreement.

5.2. At such time as either Railroad desires to terminate its rights over the Rail Corridor, such Railroad shall have the obligation to obtain necessary Surface Transportation Board ("STB") and other regulatory approval that may be required. The Authority agrees to cooperate in seeking regulatory approval.

5.3. **TCW and Soo will vacate all use of, and permanently terminate all rights to use, the Rail Corridor no later than thirty (30) days after a new connection between the Soo Hopkins line (TCW's current operating route) and the former Minneapolis, Northfield & Southern line in St. Louis Park (MNS connection), and between the MNS and The Burlington Northern and Santa Fe Railway (BNSF connection) becomes operational, or at such time as any other feasible alternative to use of the Rail Corridor satisfactory to TCW becomes available and is operational. The MNS connection and the BNSF connection are shown on Exhibit D attached to this Agreement.**

SECTION 6 - CONDITIONS PRECEDENT

Operation over the Rail Corridor is contingent upon obtaining any required regulatory and government approvals, and any necessary corporate authorization.

SECTION 7 - TAXES

7.1. The Authority agrees to pay promptly to taxing authorities when due all Taxes, if any, duly levied on the Property with respect to the Authority's ownership, leases, air rights development, and/or operations. TCW and Soo agree to pay promptly to taxing authorities when due all Taxes, if any, with respect to their use or operations duly levied, to the extent Soo or TCW's property rights have been separately assessed by the appropriate assessing authority while either TCW or Soo are conducting operations over the Rail Corridor. To the extent TCW's property right is not so separately assessed to TCW, but the underlying fee in the Rail Corridor is assessed as railroad operating property and would be exempt except for TCW's use in operations, then TCW agrees to pay all such Taxes duly levied while conducting operations over the Rail Corridor. TCW reserves the right to protest to a taxing authority any such Taxes it deems to be unfair or excessive and may in good faith litigate and settle with the taxing authority any such protested amount. This subparagraph 7.1 will apply to Soo for any period during which Soo exercises its operating rights.

7.2. The Authority shall pay without reimbursement from Soo or TCW all Taxes, if any, attributable to any passenger transportation system installed by or at the direction of the Authority.

SECTION 8 - ASSIGNMENT RIGHT

Soo may admit a third-party operator as assignee of Soo's common carrier freight service obligation, or in connection with the sale of, or merger of, all or most of its railroad system, subject to the consent of the Authority, which shall not be unreasonably withheld, and subject to orders of the Surface Transportation Board ("STB"). TCW may admit a third-party operator as assignee of TCW's common carrier freight service obligation in connection with the sale of, or merger of all or most of its railroad system, subject to the consent of the Authority, which shall not be unreasonably withheld, subject to the orders of the STB.

SECTION 9 - OBLIGATIONS FOLLOWING TERMINATION.

Upon termination of all rights to the Rail Corridor, the parties hereto are relieved from any and all obligations relating thereto, except for any obligations which may have accrued or which may have been incurred prior to the date of such termination or in accordance with the terms of this Agreement.

SECTION 10 - LIABILITY AND ENVIRONMENTAL INDEMNIFICATION.

10.1. TCW agrees to defend, indemnify and hold harmless the Authority, its commissioners, officers, agents and employees from any liability, claims, damages, costs, judgments, or expenses, including reasonable attorneys' fees, resulting directly or indirectly from any act or omission of TCW, its agents, employees, customers, tenants, or invitees, occurring on or from the Rail Corridor after the effective date of this Agreement, except that portion of liability caused by, or contributed to by, acts or omissions of the Authority, its agents, employees and invitees, notwithstanding the provisions of Section 12.

10.2. Soo agrees to defend, indemnify and hold harmless the Authority, its commissioners, officers, agents and employees from any liability, claims, damages, costs, judgments, or expenses, including reasonable attorneys' fees, resulting directly or indirectly from any act or omission of Soo, its agents, employees, customers, tenants, or invitees, occurring on or from the Rail Corridor after the effective date of this Agreement, except that portion of liability caused by, or contributed to by, acts or omissions of the Authority, its agents, employees and invitees, notwithstanding the provisions of Section 12.

10.3 The Authority agrees to defend, indemnify and hold harmless Soo and TCW, their respective officers, agents and employees from any liability, claims, damages, costs, judgments, or expenses, including reasonable attorneys' fees, resulting directly or indirectly from any act or omission of the Authority, its commissioners, officers, agents and employees, tenants, customers or

invitees occurring on the Rail Corridor after the effective date of this Agreement, except that the Authority shall not be required to defend, indemnify or hold TCW harmless to the extent the liability is caused or contributed by acts or omissions of TCW, and the Authority shall not be required to defend, indemnify or hold Soo harmless to the extent the liability is caused or contributed by acts or omissions of Soo, notwithstanding the provisions of Section 12.

10.4 Railroads. In the event Soo commences operations on the Rail Corridor, Soo and TCW shall allocate liability as between them only as follows.

Definition: Whenever the expression "Loss or Damage" is used in this Section 10.4, it means all costs, liabilities, judgments, fines, fees (including without limitation reasonable attorneys' fees and disbursements) and expenses of any nature arising from or in connection with death of or injury to persons, including without limitation employees of the Railroads, or damage to or destruction of property including without limitation property of the Railroads or the Rail Corridor, in connection with operations of the Railroads over or on the Rail Corridor.

Definition: Whenever the expression "proportionally by the Railroads" is used in this Section, it means that expenses will be borne in proportion to the total trains handled by each Railroad over any part of a segment of the Rail Corridor on which the Loss or Damage occurs during the three calendar months prior to the month of the occurrence, or if the occurrence is in any of the first three months of operation under this Agreement, such lesser period as precedes the date of occurrence. For the purposes of determining proportionality as herein provided, light engines shall not be considered a trains. In case of conflict with other provisions of this Agreement, the provisions of Section 10.4 shall control as between the Railroads.

10.4(1) The employees of either Railroad while operating, maintaining or directing operation along the Rail Corridor shall not be considered as joint employees but will remain the sole employees of either Railroad. However, when any sole employee of TCW or Soo is engaged in the

direct activity of maintaining, repairing, renewing, removing, or inspecting the Rail Corridor, or in dispatching, giving orders for or directing the movement of trains over the Rail Corridor for the common benefit of the Railroads, and Loss or Damage to TCW, Soo or a third party, arises out of such service for the common benefit of the Railroads, then the expense of the Loss or Damage shall be borne proportionally by the Railroads; provided that the terms of this Section 10.4(1) shall control in the case of conflict with the provisions of Section 10.4(3) below, but in the case of conflict with Section 10.4(2) below, that Section shall control.

10.4(2) Notwithstanding anything else contained in this Agreement, liability for Loss or Damage resulting from or in connection with the operation of locomotives, trains or cars of either Railroad, or in connection with the presence on the Rail Corridor of locomotives, trains, cars or property of either Railroad, shall be borne and paid by the Railroads as follows:

(a) When the same shall involve the train or equipment of only one of the Railroads, regardless of any third party involvement, all Loss or Damage, including but not limited to, restoration and repair of the Rail Corridor and third party persons or property will be borne by that Railroad.

(b) When the same shall involve the trains or equipment of both Railroads, Loss or Damage shall be borne by each Railroad as to its own employees, property, or property in its custody (except for damage to the Rail Corridor). As to third party persons or property and the Rail Corridor, Loss or Damage shall be borne equally by the Railroads.

10.4(3) Liability for Loss or Damage not involving the train or equipment of either Railroad, or where the identity of the train or equipment involved is unknown, shall be borne and paid by the Railroads as follows:

(a) Liability for Loss or Damage shall be borne by each Railroad as to its own employees (except for employees performing services for the common benefit of the

Railroads), property (other than the Rail Corridor), or property in its custody, but as to third party persons or property, employees performing service for the common benefit of the Railroads, and the Rail Corridor, the cost of Loss of Damage shall be borne proportionally by the Railroads.

(b) Third party claims for Loss or Damage arising out of the killing or injuring of livestock or the setting of fires on or along the Rail Corridor, when caused by the locomotive, train, car or fusee of one of the Railroads, shall be handled or settled by the Railroads whose locomotive, train, car or fusee caused such Loss or Damage, but if it cannot be determined whose locomotive, train or car caused such Loss or Damage, the claim will be handled or settled on behalf of both Railroads in the first instance by TCW, and the Loss or Damage will then be borne equally by the Railroads.

10.4(4) Each Railroad agrees that it will pay for all Loss or Damage, the risk of which it has herein assumed, the judgment of any court to the contrary notwithstanding, and will forever indemnify and save harmless the other Railroad, its successors and assigns, from such payment; provided, however, the indemnifying Railroad shall be assigned any rights which the indemnified Railroad may have against any third party or parties for recovery of any indemnified amount.

10.4(5) In the event that both Railroads hereto shall be liable under the Agreement for Loss or Damage, and the same shall be compromised and settled by voluntary payment of money or valuable consideration by one of the Railroads, the settling Railroad shall obtain a valid and enforceable release from liability for TCW and Soo Line Railroad Company, Soo Line Corporation and their Parents, Subsidiaries and Affiliated Companies, and all of their Officers, Agents, and Employees, etc. Neither Railroad shall make any such compromise or settlement in excess of \$5,000 without prior, written authority of the other Railroad having liability, but any settlement made by

one Railroad in consideration of \$5,000 or less shall be a settlement releasing all liability of both Railroads and shall be binding upon both Railroads.

10.4(6) In case a lawsuit or lawsuits shall be commenced against either Railroad hereto for or on account of any Loss or Damage for which the other Railroad would be solely or jointly liable under this Agreement, the Railroad thus sued shall give the other Railroad timely written notice of the pendency of such suit, and thereupon the Railroad so notified shall assume or join in the defense thereof, and if the Railroad so notified is liable therefore under this Agreement, such Railroad shall save harmless the Railroad so sued from all Loss or Damage in accordance with the liability allocation set forth in this Agreement. Neither Railroad shall be bound by any judgment against the other Railroad unless it shall have been so notified and shall have had reasonable opportunity to assume or join in the defense of the action. When so notified, and said opportunity to join in the defense of the action has been afforded, the Railroad so notified shall to the extent of its liability under this Agreement be bound by such judgment.

10.4(7) If trains, locomotives or cars of Soo are wrecked or derailed on the Rail Corridor, TCW shall arrange to pick up and remove said equipment, and Soo shall bear the entire cost of such service (except to the extent that the allocation of liability in this Agreement provides otherwise), except that if TCW does not have the necessary personnel or equipment, Soo may furnish both as required, at its own expense; provided, however, that in the case of a minor derailment where the derailed equipment can be promptly rerailed by rerailers or blocking by Soo's employees, then in such event Soo may, at its sole expense, rerail such equipment unless TCW's supervisory employees direct otherwise.

10.4(8) It is understood and agreed that a number of vehicular crossings on the Rail Corridor presently exist, or may be constructed. Soo agrees to accept all crossings in whatever condition they may be during the term of this Agreement and will not assert any claim, demand or cause of action

against TCW and will hold TCW harmless from any claim, demand or cause of action arising out of any crossing accident on the Rail Corridor in which the engines, cars or trains of Soo only are involved; provided, however, that nothing in this Section 10.4(8) shall relieve TCW or Soo from liability arising from its gross negligence or intentional acts.

10.5. Soo shall remediate any environmental pollution or contamination on the Rail Corridor that is in violation of any applicable environmental statute ,ordinance, rule or regulation which first occurred during its period of use and was caused by Soo or its invitees. Soo shall bear the expense of all practices or work, preventative, investigative or remedial, which may be required because of any such conditions on the Rail Corridor caused by Soo, or its invitees during Soo's period of use, including conditions caused by Soo or its invitees which affect other lands. Soo expressly agrees that the obligations it hereby assumes shall survive cancellation of this Agreement. Soo agrees that statutory limitation periods on actions to enforce these obligations shall not be deemed to commence until the Authority discovers any such conditions and Soo hereby knowingly and voluntarily waives the benefits of any shorter limitation period.

10.6. TCW shall remediate any environmental pollution or contamination on the Rail Corridor that is in violation of any applicable environmental statute, ordinance, rule or regulation which first occurred during its period of use and was caused by TCW or its invitees. TCW shall bear the expense of all practices or work, preventative, investigative or remedial, which may be required because of any such conditions on the Rail Corridor caused by TCW, or its invitees during TCW's period of use, including conditions caused by TCW or its invitees which affect other lands. TCW expressly agrees that the obligations it hereby assumes shall survive cancellation of this Agreement. TCW agrees that statutory limitation periods on actions to enforce these obligations shall not be deemed to commence until the Authority discovers any such conditions and TCW hereby knowingly and voluntarily waives the benefits of any shorter limitation period.

10.7. Authority shall have the right, but not the duty, to enter upon the Rail Corridor from time to time as set forth below to inspect the Rail Corridor for environmental contamination and in the course thereof to conduct soil and groundwater testing and to perform environmental investigation, remediation or mitigation. Authority may enter the Rail Corridor upon 24 hour notice to TCW and Soo, and may enter the Corridor in the case of an emergency, without prior notice, but the Authority shall give TCW and Soo immediate notice of the emergency. Authority shall conduct any such inspections or testing so as to not to interfere with Soo's and TCW's operations and shall provide sufficient notice of actions that might impair safe train operation. Authority's entry on to the Rail Corridor pursuant to this paragraph shall not relieve Soo's and TCW's obligations to pay rent under this Agreement.

10.8. At the request of the Authority, Soo (if Soo commences operations over the rail corridor) and TCW shall pay for the services of a state-approved contractor to sample what appears to be any visibly contaminated areas of the Rail Corridor for which they respectively appear to be responsible. For any contaminated areas, Soo's and TCW's respective contractor shall provide remediation recommendations to the Authority, and shall provide remediation as may be required by law. Copies of the results shall be forwarded to the Authority to ensure that the Rail Corridor is returned to the Authority reasonably free of contamination and in compliance with all applicable environmental law, ordinances, regulations and requirement. The provisions of this paragraph shall survive the termination of this Agreement.

Notwithstanding the foregoing, Soo and TCW is not responsible, by virtue of the terms of this Agreement, for any testing or sampling costs resulting from contamination existing on the Rail Corridor prior to their respective use or occupancy of the Rail Corridor, or which was not caused by TCW or Soo or their invitees, or where no contamination was found.

10.9. Each party shall give the other parties prompt written notice of any and all claims or suits arising from operations on or about the Rail Corridor.

10.10. Notwithstanding the foregoing, the terms of this Agreement are not to be construed as, nor operate as, waivers of the Authority's statutory or common law immunities or limitations on liability, including, but not limited to, Minnesota Statutes Chapter 466. Further, the Authority's obligations set forth in this Section and otherwise in this Agreement, are expressly limited and governed by the provisions of Minnesota Statutes Chapter 466, Minnesota Statutes Chapter 604, and any other applicable law or regulation.

SECTION 11 - INSURANCE.

11.1 TCW, at its own cost or expense, will procure and maintain in effect during the term of this Agreement, a policy or policies of insurance covering the liability to which TCW is or may be subject under this Agreement. Such policy shall name Soo as an additional insured which shall provide the following total coverage:

Third party liability coverage covering injury to or death of persons and damage to property in any one occurrence in the amount of not less than \$10,000,000 (ten million dollars) with a maximum deductible of \$100,000 (one hundred thousand dollars) per occurrence. Such coverage shall include all employees and shall insure named insureds against workmen's compensation and Federal Employers' Liability Act claims. Soo agrees to cooperate in the processing of insurance claims.

11.2. If the insurance procured by TCW, pursuant to this Section, takes the form of a claims-made policy and is cancelled or allowed to expire without renewal, TCW may provide evidence of insurance that provides per occurrence and annual aggregate limits of not less than those

required pursuant to Section 11.1 Such coverage must be retroactive to the original inception date of the cancelled or non-renewed policy.

11.3. At any time not less than sixty (60) days prior to an anniversary date of this Agreement, Soo, in consideration of current and reasonably anticipated claims and litigation costs, may notify TCW of Soo's intent to increase the amount of insurance required by this Agreement or to require that the terms and conditions of such insurance be modified. Should TCW object to any such increase or modification, TCW and Soo will attempt in good faith to negotiate a resolution of their disagreement. If TCW and Soo are not able to agree and such disagreement continues for thirty (30) days past the anniversary date of this Agreement, then the matter or matters in disagreement will be submitted to arbitration in accordance to the rules of the American Arbitration Association.

11.4. Each policy of insurance obtained by TCW pursuant to the requirement of this Section will contain provisions requiring that the insurance carrier give Soo, through the Soo's Director of Insurance, at least thirty (30) days' notice, in writing, of any proposed policy cancellation or any modification of the terms and conditions of any policy of insurance TCW is required to provide under this Section.

11.5. The terms and conditions of each policy of insurance obtained by TCW to satisfy the requirements of this Section will be subject to the approval of Soo, which approval shall not be unreasonably withheld or delayed. TCW will furnish to Soo's Director of Risk Management an accurate copy of each policy of insurance obtained pursuant to the requirements of this Section. Neither compliance with this requirement nor Soo's approval of the terms and conditions of any such policy will in any way limit or modify the obligation of TCW to provide the specific insurance coverage required by this Section.

11.6. In the event TCW fails to maintain the levels of insurance coverage required in this Section, or fails to properly notify Soo of said coverage, after giving TCW written notice of

noncompliance and then (10) days from receipt of such notice within which to comply, Soo may require TCW to suspend operations over the Rail Corridor until such time as TCW complies with the insurance requirements hereunder or otherwise provides Soo evidence of financial responsibility acceptable to Soo in its sole discretion.

SECTION 12 - REPRESENTATIONS AND WARRANTIES

Soo and TCW accept the Rail Corridor and the Rail Line in an "as is" condition, with no express or implied representations or warranties by the Authority as to the physical condition or fitness or suitability for any particular purpose, express or implied, except as otherwise provided in this Agreement. ~~Soo and TCW are responsible for, had ample opportunity to inspect the Rail Line and are familiar with the same.~~ As between the parties, Soo and TCW acknowledge the risks to their rail operations associated with the proximity of the Rail Line to the pedestrian and bicycle trails adjacent to the Rail Corridor. Soo and TCW do not assume liability for damages to the property of third persons or for injury to third persons by reason of Soo or TCW rail operations on the Rail Corridor nor waive any claims they might have against such third persons.

SECTION 13 - SURVIVAL

All of the terms of this Agreement, including all warranties, representations, and indemnification given by each party to this Agreement, all of which are relied upon by each party, shall survive and be enforceable after the execution of this Agreement and any subsequent transfer of title of the Property.

SECTION 14 - LAWS GOVERNING

This Agreement shall be governed to the extent applicable and not preempted by federal law, and the parties agree to be bound, by the laws of the State of Minnesota; and the parties agree to comply with or abide by all laws relevant to this Agreement governing their respective operations in the State of Minnesota.

SECTION 15 - REMEDIES FOR BREACH

Should Soo or TCW default in any payments to be made hereunder or fail to faithfully perform any of their covenants herein or violate any term or condition of this Agreement and, if such default, failure or violation shall continue for a period of sixty (60) days after the Authority shall have given Soo or TCW notice of an "event of default", the Authority may thereupon exclude Soo or TCW, as the case may be, from all the rights and privileges granted to it hereunder, and Soo and TCW shall have no claim or depend upon the authority at law or in equity on account of such exclusion. The rights and remedies granted to the parties in this Section 14 are intended to be cumulative to all other rights and remedies available to the parties (whether under this Agreement, at law, in equity or otherwise); accordingly, the exercise by any party of any such right or remedy shall not preclude it from exercising any other such right or remedy.

SECTION 16 - ASSIGNMENT; BINDING EFFECT

The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, including without limitation, any entities into or by which either of the parties is merged, combined, reorganized or acquired.

SECTION 17 - NOTICES

Unless explicitly stated to the contrary elsewhere in this Agreement, all notices and other communications required or contemplated by this Agreement must be in writing and shall be deemed given when delivered in legible form to the business address of the party to whom addressed. The business addresses of the parties are as follows:

SOO:

Mailing Address: P.O. Box 530
 Minneapolis, Minnesota 55440
 Attention: Director - Commercial Development

Delivery Address: 1710 Soo Line Building
105 South 5th Street
Minneapolis, Minnesota 55402
Attention: Director - Commercial Development

Fax: 612/347-8064
Attention: Director - Commercial Development

TCW:

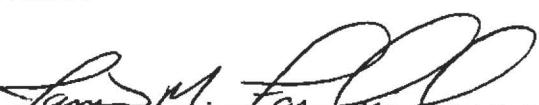
Mailing Address: 2925 - 12th Street East
Glencoe, MN 55336
Attention: President
Fax: 320/864-7220

THE AUTHORITY:

Mailing Address: Hennepin County Regional Railroad Authority
and Delivery A2300 Government Center
Minneapolis, MN 55487-0230
Attention: Executive Director
Fax: 612/348-8228

Notices not given in the manner or within the time limits set forth in this Agreement are of no effect and may be disregarded by the party to whom they are directed. Either party may change its business address, for notice purposes, by giving notice of the change to the other party.

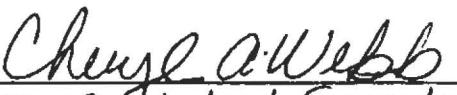
ATTEST:


Title: James M. Farwell
MGR - Contracts

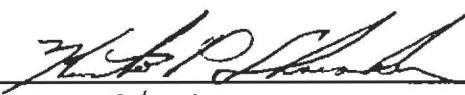
SOO LINE RAILROAD COMPANY

By: 
D.C. Brice
Its: VP

ATTEST:


Title: Cheryl A. Webb
Assistant Secretary

TWIN CITIES & WESTERN RAILROAD COMPANY

By: 
W.F.P. Lash
Its: Chairman

Approved as to Form


Assistant Hennepin County Attorney

Date: 8/5/98

Approved as to Execution


Assistant Hennepin County Attorney

Date: 8-6-98

**HENNEPIN COUNTY REGIONAL
RAILROAD AUTHORITY**

By: Mary Jamborowski
Its: Chair

and

By: Jill Spangler
Its: Executive Director

RAILROAD EASEMENT

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)
)
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)
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)
)

(reserved for valuation and tax data)

(reserved for recording data)

STATE DEED TAX DUE HEREON: \$ _____

Date: August 10, 1998

FOR VALUABLE CONSIDERATION, the Hennepin County Regional Railroad Authority, a political subdivision and local government unit under the laws of the State of Minnesota, Grantor, hereby conveys and quitclaims to the Twin Cities and Western Railroad Company, a corporation under the laws of the State of Minnesota, Grantee, a railroad easement over real property in Hennepin County, Minnesota, the terms of which are set forth in Trackage Rights Agreement between the Twin Cities and Western Railroad Company, Soo Line Railroad Company and the Hennepin County Regional Railroad Authority dated August 10, 1998. The real property is described as follows:

(Legal description on Exhibit A)

Hennepin County Regional Railroad Authority

By Mary Tamburino
Its Chairman

By Jeff Spartz
Its Executive Director

STATE OF MINNESOTA)
)ss
COUNTY OF HENNEPIN)

The foregoing was acknowledged before me this 10th day of August, 1998, by
Mary Tamburino and Jeff Spartz, the Chairman and Executive Director of Hennepin
County Regional Railroad Authority, a political subdivision and local government unit under the laws
of Minnesota, on behalf of the Authority.

Mary Allen Hudson
Notary Public

This instrument was drafted by:

Hennepin County Regional Railroad Authority
417 North Fifth Street, Suite 320
Minneapolis, MN 55401-1362

Tax Statements for the real property
described in this instrument should be sent to:

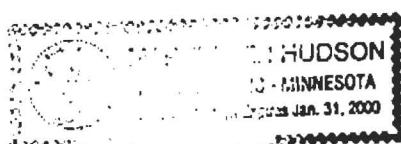


EXHIBIT A

Description of Railroad Easement

A strip of land fifty feet in width lying 25 feet on either side of the centerline of the railroad tracks extending from the point of connection with Soo Line trackage at or near Chicago North Western Railway milepost 16.2 in the City of St. Louis Park, easterly to Chicago North Western Railway milepost 13.7 at a point of connection with Burlington Northern Santa Fe Railway in the City of Minneapolis except as the width is limited by the Trackage Rights Agreement between the Twin Cities and Western Railroad, Soo Line Railroad Company and the Hennepin County Regional Railroad Authority dated Aug. 10, 1998.



EXHIBIT A