

Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D. C.

No. 2-075A135

Date MAR 15 1982

Fee \$ 50.00 RECORDATION NO. 13596

ICC Washington, D.C. MAR 16 1982 -2 35 PM

NEW NO. ①

\$ 50

Dear Ms. Mergenovich:

INTERSTATE COMMERCE COMMISSION

Enclosed for recordation under the provisions of Section 11303(a) of Title 49 U.S. Code are the original and seven counterparts of an Equipment Lease dated as of February 15, 1982. This Equipment Lease is a primary document.

A general description of the railroad maintenance of way equipment covered by the enclosed document and intended for use related to interstate commerce is set forth in Schedule 1 attached to this letter and made a part hereof.

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

Lessor: The Bank of New York, as Trustee
21 West Street
New York, New York 10015

Lessee: Burlington Northern Railroad Company
c/o Burlington Northern Inc.
1111 Third Avenue
Seattle, Washington 98101

The undersigned is the Lessor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and five copies of the Equipment Lease to Michael G. McGee, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

A short summary of the enclosed primary document to appear in the Index follows:

Equipment Lease between The Bank of New York, as Lessor, 21 West Street, New York, New York 10015, and Burlington Northern Railroad Company, as Lessee, 1111 Third Avenue, Seattle, Washington 98101, covering 254 items of maintenance of way equipment.

Very truly yours,

THE BANK OF NEW YORK, as Trustee

By *J. A. Dutton*
Its ASSISTANT VICE PRESIDENT
LESSOR AS AFORESAID

Enclosures

C. F. Kammeler
Michael G. McGee

SCHEDULE 1
DESCRIPTION OF ITEMS OF EQUIPMENT

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
L Z Company Inc. 1881 No. Rice Street St. Paul, MN 55113	Massey Ferguson Model MF30 Industrial Tractor	6	\$ 19,881	\$ 119,286	X32-0329-0334
	Massey Ferguson Model MF408 Backhoe Loader	5	27,172	135,860	X32-0335-3339
Rexnord Inc. c/o Ruasel Railway Supply Co. 4940 Viking Drive Minneapolis, MN 55435	Automatic Spike Hammer	4	81,330	325,320	X45-0219-0222
	Nordberg Model CZ Adzer	8	28,105	224,840	X3 -0104-0111
	Nordberg Model "B" Hydro-Spiker	3	71,400	214,200	X44-056-058
	Nordberg Model "BP" Mechanical Spike Puller	10	27,430	274,300	X47-0161-0170
Borchert Ingersoll Inc. 3275 Dodd Road P. O. Box 43037 St. Paul, MN 55164	Nordberg Model "KT" Tie Drill	4	10,695	42,780	X23-0095-0098
	Front-end Loader Terex Model 72-31B	2	94,260	188,520	X24-0157-0158
	Model FGTX-30FH Low Boy Trailer	1	45,606	45,606	X72-0024
Transportation Products Co. 80 E. Jackson Boulevard Room 307 Chicago, IL 60604	Front-end Loader Terex Model 72-61	1	149,263	149,263	X24-0159
	Little Giant Model 32 Hy-Rail Truck Crane	1	155,982	155,982	X15-0055
	Ohio Model DE-400 Locomotive Crane	1	477,889	477,889	975432
Air Power Equipment Corp. 2631 University Avenue St. Paul, MN 55114	Ohio Model DE-400 Locomotive Crane with Pile Driver	1	634,332	634,332	975431
	Ing. Rand Model P-250-W-D 250CFM Air Compressor	4	14,139	56,556	X2-4510-4513
	Ing. Rand Model 175 Air Compressor	6	8,128	48,768	X2-3609-3614
Fairmont Railway Motors 386 No. Wabasha Suite 550 St. Paul, MN 55102	Ing. Rand Model 335 Air Compressor	1	18,127	18,127	X2-5529
	Fairmont Model W115-B1 Tie Pusher	1	57,299	57,299	X63-0029
	Fairmont Model W-113 Dual Spike Puller	2	19,597	39,194	X47-0159-0160
	Fairmont Model W-86-F Rail Lifter	12	6,825	81,900	X38-0067-0078
	Fairmont Model W-84 Hydraulic Spike Puller	11	7,078	77,858	X47-0149-0158
	Fairmont Model W-968 Spike Setter-Driver	2	72,314	144,628	X44-0066-0067
	Fairmont Model W-114-C Tie Shear	4	68,472	273,888	X40-0055-0058
	Fairmont Model W-71 Series "B" Tie Sprayer	2	6,581	13,162	X66-0057-0058
Donald J. Hogan & Co. Portec Inc. RMC Div. 327 S. LaSalle Street Chicago, IL 60604	Fairmont Model W-87 Series "E" Scarifier	2	48,475	96,950	X42-0059-0060
	Portec Model D Hydraulic Tie Spiker	5	73,718	368,590	X44-0061-0065
	Portec RMC HD-28 On Track Brush Cutter	3	130,662	391,986	X11-0024-0026
Railway Track Work Co. 2381 Philmont Avenue Bethayres, PA 19006	Portec RMC Model S2 Rail Spiker	8	73,997	591,976	X44-0072-0079
	Railway Track Work Model 2170-A Crane	1	38,494	38,494	X60-0115
	Model 2170-A Tie Handler with Articulated Boom	12	29,700	356,400	X60-0083-0094
Kershaw Manufacturing Co. c/o D. J. Hogan Co. 327 S. LaSalle Street Chicago, IL 60604	Evans/R.T.W. Tunnel Clearance Truck	1	125,000	125,000	7900
	Kershaw Model 39-2 Tie Injector	5	68,320	341,600	X61-0030-0034
	Kershaw Model 24-1 Tie Gang Regulator	7	43,025	301,175	X6-0149-0155
	Kershaw Model 12-2-2 Tie Crane	20	28,950	579,000	X60-0095-0114
	Kershaw Model 11-3 Bridge Crane	1	37,525	37,525	X17-0015
	Kershaw Model 37-1 Tie Saw	2	63,795	127,590	X40-0059-0060
	Kershaw Scarifiers	2	48,475	96,950	X42-0061-0062
	Kershaw Model 16-1 Brush Type Kribber	1	10,740	10,740	X16-0063
Holley Engineering Co. 1872 Cherry Street Montgomery, AL 36107	Kershaw Model 26-2-1 Ballast Regulator	17	72,911	1,239,487	X6-0156-0172
	Holley Model 45 Plate Plucker w/Conveyor	9	15,575	140,175	X85-0004-0012
Nebraska Tractor & Equip Co. 4115 So. 90th Street Omaha, NE 68127	International Harvester Front-end Loader	1	81,783	81,783	X24-0161
Teleweld Inc. c/o Russell Ry. Supply 4940 Viking Drive, Room 540 Minneapolis, MN 55435	Teleweld CWR Rail Heating Car	7	32,100	224,700	X82-0013-0019

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
Jackson Jordan Inc. 1699 E. Woodfield Road Box 95036 Schamburg, FL 60195	Jackson Model 6500 Switch Spot & Production Tamper	1	\$167,500	\$ 167,500	X54-0109
Road Machinery & Supply Co. 4901 W. 80th Street Minneapolis, MN 55437	CMI Load King Model 403 DFP Low Boy Trailer	1	53,451	53,451	X72-0025
T. C. Johnson Co. 521 E. Washington Street Chagrin Falls, OH 44022	Galion Model ML-40 Material Lift	2	103,900	207,800	X24-0164-0165
	Stork Model 27-6 Car Top Material Handler	1	151,237	151,237	X88-0002
Plasser Am. Corp. 2001 Myers Road P. O. Box 5464 Chesapeake, VA 23324	Plasser Model PTT-16 Tie Tamper	3	56,194	168,582	X53-0025-0027
Pettibone Corp. 4700 W. Division Street Chicago, IL 60651	Pettibone Mulliken Model 441-B Swing Loaders	3	114,681	344,043	X24-0161-0163
Galion Mfg. Co. c/o T. C. Johnson Co. Box 433 521 E. Washington Street Chagrin Falls, OH 44022	Galion Model 150F Hydraulic Crane	10	115,970	1,159,700	X16-0030-0039
Racine Railroad Products 1524 Frederick Street P. O. Box 4029 Racine, WI 53404	Racine Anchor Applicator	7	20,670	144,690	X1-0116-0122
Safe Tran Systems Corp. 4650 Main Street, N.E. Minneapolis, MN 55421	Raco Model C Track Wrench	4	5,704	22,816	X9-0287-0290
	Safetrain Duel Spoke Driver Model SD-80	4	9,004	36,016	X45-0219-0222
Western Cullen c/o Russell Railway Supply Co. 4940 Viking Drive Minneapolis, MN 55435	Model 40 Burro Crane	1	223,055	223,055	975069
Tamper 2401 Edmund Road West Columbia, SC 29169	Electromatic Model EASJDG Mark 1 Tamper	6	135,508	813,048	X54-0110-0115
	Model EAS Switch Electromatic Tamper Mark 1	5	88,853	444,265	X56-0100-0104
	Electromatic Model EA Tamper Mark 1	10	77,584	775,840	X53-0028-0037
	TOTAL	<u>254</u>		<u>\$13,661,722</u>	

Interstate Commerce Commission
Washington, D.C. 20423

3/16/82

OFFICE OF THE SECRETARY

Michael G. McGee, Esq.
Chapman And Cutler
111 West Monroe Street
Chicago, Illinois 60603

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **3/16/82** at **2:35pm**, and assigned re-
recording number(s). **13596 & 13597**

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

RECORDATION NO. 13596 Filed 1425

MAR 16 1982 -2 25 PM

EQUIPMENT LEASE INTERSTATE COMMERCE COMMISSION

Dated as of February 15, 1982

Between

THE BANK OF NEW YORK,
not in its individual capacity, but solely as trustee

Lessor

And

BURLINGTON NORTHERN RAILROAD COMPANY

Lessee

(Burlington Northern No. 82-1)
(Maintenance of Way Equipment)

This Lease and certain of the sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, Mercantile-Safe Deposit and Trust Company, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of February 15, 1982 from The Bank of New York, as Trustee, to said Security Trustee. Information concerning such security interest may be obtained from said Security Trustee at its principal office at Two Hopkins Plaza, Baltimore, Maryland 21203, Attention: Corporate Trust Department.

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Attachments to Equipment Lease:

Schedule A—DESCRIPTION OF ITEMS OF EQUIPMENT

Schedule B—CERTIFICATE OF ACCEPTANCE

Schedule C—SCHEDULE OF CASUALTY VALUE

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of February 15, 1982 is between THE BANK OF NEW YORK, a New York corporation, not in its individual capacity but solely as Trustee (the "Lessor") under the Trust Agreement dated as of February 15, 1982 (the "Trust Agreement") between it and LITTON EQUITY INVESTMENTS, INC., a Nevada corporation (the "Trustor") and BURLINGTON NORTHERN RAILROAD COMPANY, a Delaware corporation (the "Lessee").

RECITALS:

A. Pursuant to a Purchase Order Assignment dated as of February 15, 1982, the Lessee has assigned to the Lessor its right to purchase the Equipment referred to below.

B. The Lessee and the Lessor have entered into a Participation Agreement dated as of February 15, 1982 (the "Participation Agreement") with the Trustor, Mercantile-Safe Deposit and Trust Company, as security trustee (the "Security Trustee") and Aetna Insurance Company and Congen Five & Company (the "Note Purchasers") providing for the commitment of the Lessor to acquire the maintenance of way equipment (collectively the "Equipment" and individually an "Item" or "Item of Equipment") described in Schedule A hereto and made a part hereof. Under the Participation Agreement, the Note Purchasers will commit to purchase 16.50% Secured Notes (the "Notes") of the Lessor in an amount equal to 65.978% of the Purchase Price (as defined therein) of each Item of Equipment. It is contemplated that the Participation Agreement will provide that the Notes will be secured by an assignment of the Lessor's right, title and interest in and to this Lease and in and to the Equipment pursuant to a Security Agreement-Trust Deed dated as of February 15, 1982 (the "Security Agreement") from the Lessor to the Security Trustee.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. Upon delivery of each Item of Equipment by the manufacturers and suppliers thereof identified in Schedule A hereto (hereinafter referred to collectively as the "Manufacturers" and individually as a "Manufacturer"), the Lessee shall lease and let such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. The Lessor will cause each Item of Equipment to be tendered to the Lessee at such place of delivery in the continental United States as the Lessee and the Lessor shall agree, or if no such agreement shall be reached, at the place of manufacture thereof. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor and the Manufacturer a Certificate of Acceptance (the "Certificate of Acceptance") in the form attached hereto as Schedule B with respect to such Item of Equipment; provided, however, that the Lessee shall not accept and the Lessor shall have no obligation to lease any Item of Equipment delivered after July 31, 1982 (the "Outside Delivery Date").

1.3. Certificate of Acceptance. The Lessee's execution and delivery of a Certificate of Acceptance with respect to each Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's or the Lessor's rights, if any, against the Manufacturer thereof, such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads

applicable to new railroad maintenance of way equipment of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rental for Equipment. (a) *Fixed and Interim Rental.* The Lessee agrees to pay the Lessor the following rent for each Item of Equipment:

(i) For each Item of Equipment, fifteen consecutive semiannual installments of fixed rental (the "Fixed Rentals") payable in arrears, each in an amount equal to 8.736812% of the Purchase Price thereof; and

(ii) One installment of Interim Rental (the "Interim Rental") for the period prior to and including the Term Lease Commencement Date in an amount equal to any portion of accrued interest due and payable on the Notes on the Term Lease Commencement Date which the Trustor shall, for any reason (including failure to receive notice of payment required under said Section 2.6) fail to pay pursuant to its obligation set forth in Section 2.6 of the Participation Agreement.

The amount of any Interim Rental paid by the Lessee in accordance with its undertaking contained in clause (ii) of this Section 2.1(a) may, at the option of the Lessee, be set off and credited against the amount of any installment of Fixed Rental payable by the Lessee hereunder; provided, however, that no installment of Fixed Rental shall be reduced by virtue of any such setoff or credit below the amount necessary to discharge that portion of the principal and/or interest on the Notes due and payable on the payment date of such installment.

(b) *Supplemental Rental.* The Lessee agrees to pay the Lessor, as supplemental rent hereunder (i) from time to time amounts equal to any deficiency with respect to the Escrow Fund payable by the Lessor to the Security Trustee pursuant to the last paragraph of Section 2.2(e) of the Participation Agreement and (ii) an amount equal to the amount, if any, of accrued interest on the portion of the Notes being prepaid on the Cut-Off Date pursuant to Section 2.2(g) of the Participation Agreement payable by the Lessor to the Security Trustee. Such supplemental rentals shall be payable on the same dates as the coinciding amounts payable by the Lessor are payable and in the same manner.

2.2. Rent Payment Dates. The installment of Interim Rental, if any, shall be due and payable on the Term Lease Commencement Date. The first installment of Fixed Rental for each Item of Equipment shall be due and payable six months following the Term Lease Commencement Date and the balance of said installments shall be payable at six month intervals thereafter with the final such installment payable seven years and six months following the Term Lease Commencement Date. If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "Term Lease Commencement Date" shall mean August 1, 1982, and the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of New York, Minnesota or Maryland are authorized or required to close.

2.3. Adjustment of Rentals. (a) In the event that (i) the sum of all expenses paid pursuant to Section 2.5(i)(a) and 2.5(i)(b) of the Participation Agreement exceeds \$30,000, or (ii) the Deposit Dates under the Participation Agreement occur on dates or require the purchase of Notes by the Note Purchaser in amounts other than as expressed in Section 2.2(b) to be contemplated by the parties thereto, or (iii) the Closing Dates under the Participation Agreement occur on dates or require the purchase of Equipment in amounts other than as expressed in Section 2.2(b) of the Participation Agreement to be contemplated by the parties thereto, or (iv) less than all of the Items of Equipment described in Schedule A hereto are delivered to and accepted by the Lessee under the Lease on or prior to July 31, 1982, or (v) a change in any tax law, regulation or tax rate shall be enacted and become effective prior to August 1, 1982 which alters or eliminates any of the Tax Benefits (as defined

in Section 7(a) of the Participation Agreement), then the Lessee and the Lessor agree that the Fixed Rentals shall be adjusted to such amount as shall cause the Trustor's after-tax return on and rate of recovery of investment and periodic net cash flows (computed on the same assumptions, including tax rates, as were utilized by the Trustor in originally evaluating this transaction) to equal that which would have been realized by the Trustor if none of the conditions specified in clauses (i) through (v) had occurred, and the Casualty Values shall similarly be adjusted. The amount of any such adjustments will be determined by the Trustor, which determination shall be conclusive and binding on Lessee if the Trustor shall certify in writing to the Lessee that such adjustment was determined in good-faith compliance with the immediately preceding sentence. Lessor and Lessee agree to execute an addendum to this Lease to reflect each such adjustment; *provided* that such adjustment shall be effective for all purposes of this Lease regardless of whether such addendum is actually executed and delivered.

(b) Anything in Section 2.3(a) hereof to the contrary notwithstanding, the amounts payable as installments of Fixed Rental and Casualty Values hereunder with respect to any Item of Equipment (i) shall in no event be reduced below amounts necessary to discharge that portion of the principal of and/or interest on the Notes due and payable on each rent payment date under this Lease, and (ii) shall comply with the guidelines for Internal Revenue Service rulings on leveraged leases set forth in Revenue Procedures 75-21 and 75-28.

2.4. Place and Manner of Rent Payment. The payments to be made by the Lessee under this Lease shall be made as follows:

(a) The installment of Interim Rental shall be paid to the Lessor by wire transfer to the office of the Lessor at the address thereof provided for payments in Section 20.2 hereof; provided that in the event either the Lessor, the Note Purchasers or the Security Trustee shall notify the Lessee in writing, with a copy of said notice sent to the Lessor, that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee;

(b) The portion of any installment of Fixed Rental resulting from an increase in the amount thereof pursuant to Section 2.3 hereof shall be paid in full to the Lessor by wire transfer to the office of the Lessor at the address provided for payments in Section 20.2 hereof;

(c) Each installment of Fixed Rental shall be paid to the Lessor by wire transfer to the office of the Lessor at the address thereof provided for payments in Section 20.2 hereof; provided that in the event either the Lessor, the Note Purchasers or the Security Trustee shall notify the Lessee in writing, with a copy of said notice sent to the Lessor, that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided further that in the event such notice shall direct the Lessee to divide such installment into not more than two portions, in addition to the portion referred to in Section 2.4(b) hereof, and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(d) The entire amount of any payment of Casualty Value pursuant to Section 11 hereof shall be paid to the Lessor by a check drawn on a bank located in the continental United States (identifying the same as a payment of Casualty Value relating to Burlington Northern Equipment Trust No. 82-1) and forwarded to the Lessor in the manner provided for notice in Section 20.2 hereof; provided that in the event either the Lessor, the Note Purchasers or the Security Trustee shall notify the Lessee in writing, with a copy of said notice sent to the Lessor, that the right to receive payment of such Casualty Value shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by such check in the manner

designated in such notice or as otherwise designated from time to time in writing by such notifying party;

(e) The amount of any payment owing to the Lessor or the Trustor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance) and 20.3 hereof shall be made directly to the party to receive the same without regard to the assignment of this Lease pursuant to Section 16 hereof;

(f) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 19 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount; and

(g) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such payment has previously been made by the Lessor or its assignee, in which case the Lessee shall reimburse the Lessor or its assignee, as the case may be, directly for such payment.

The Lessee agrees that it will make payments due hereunder by wire transfer where specified above at the opening of business on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made, and where not so specified, such payment shall be made by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been previously advised in writing.

2.5. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Fixed and Supplemental Rental, Casualty Value, indemnity and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, the Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of the Lessee against the Lessor or the Trustor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof; nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor or the Trustor to enter into this Lease or the transaction contemplated hereby, the bankruptcy or insolvency of any person, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 16 hereof for any reason whatsoever. Nothing contained in this Section 2.5 is intended, or shall be construed to, prohibit the Lessee from setting off the amount of any Interim Rental which it pays under this Lease against its obligation to pay Fixed Rental in accordance with the final paragraph of Section 2.1(a) hereof.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate seven years and six months following the Term Lease Commencement Date provided for in Section 2.2 hereof.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its identification number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

“Leased and Subject to a recorded Security Interest”

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked thereon (and on both sides thereof for Items operating over railroad tracks) and will replace promptly any such names and word or words which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identifying number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new identifying numbers to be substituted therefor, which consent and statement previously shall have been delivered to the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad maintenance of way equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSEE LEASES THE EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY THE LESSOR OR THE TRUSTOR, EACH OF WHICH EXPRESSLY DISCLAIMS ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. THE LESSOR HEREBY APPOINTS AND CONSTITUTES THE LESSEE ITS AGENT AND ATTORNEY-IN-FACT DURING THE TERM OF THIS LEASE TO ASSERT AND ENFORCE, FROM TIME TO TIME, IN THE NAME AND FOR THE ACCOUNT OF THE LESSOR AND THE LESSEE, AS THEIR INTERESTS MAY APPEAR, BUT IN ALL CASES AT THE SOLE COST AND EXPENSE OF THE

LESSEE, WHATEVER CLAIMS AND RIGHTS THE LESSOR MAY HAVE AS OWNER OF THE EQUIPMENT AGAINST THE MANUFACTURERS, PROVIDED, HOWEVER, THAT IF AT ANY TIME AN EVENT OF DEFAULT SHALL HAVE OCCURRED AND BE CONTINUING, SUCH APPOINTMENT SHALL CEASE AND THE LESSOR MAY ASSERT AND ENFORCE, AT THE LESSEE'S SOLE COST AND EXPENSE, SUCH CLAIMS AND RIGHTS. NEITHER THE LESSOR NOR THE TRUSTOR SHALL HAVE ANY RESPONSIBILITY OR LIABILITY TO THE LESSEE OR ANY OTHER PERSON WITH RESPECT TO ANY OF THE FOLLOWING: (I) ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY ANY ITEM OF EQUIPMENT OR BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY OTHER CIRCUMSTANCES IN CONNECTION THEREWITH; (II) THE USE, OPERATION OR PERFORMANCE OF ANY ITEM OF EQUIPMENT OR ANY RISKS RELATING THERETO; (III) ANY INTERRUPTION OF SERVICE, LOSS OF BUSINESS OR ANTICIPATED PROFITS OR CONSEQUENTIAL DAMAGES; OR (IV) THE DELIVERY, OPERATION, SERVICING, MAINTENANCE, REPAIR, IMPROVEMENT OR REPLACEMENT OF ANY ITEM OF EQUIPMENT.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. Whether or not any of the transactions contemplated hereby are consummated, the Lessee assumes liability for and shall indemnify and save harmless the Lessor in both its individual and fiduciary capacities, the Trustor, the Note Purchasers and the Security Trustee and their respective agents, successors and assigns from and against:

(a) any and all loss or damage to the Equipment, usual wear and tear excepted; and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) (collectively, "Liabilities") which may be incurred in any manner by or for the account of any of them (i) relating to any Item of Equipment or any part thereof, including, without limitation, the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage of any Item of Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessee or any indemnified party), (ii) by reason or as the result of any act or omission (whether negligent or otherwise) of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent, trademark or copyright infringements, (iv) as a result of claims for negligence or strict liability in tort, or (v) relating to any of the documents or transactions contemplated by the Participation Agreement or the issuance of the Notes, except any liability arising out of Trustor's failure to pay its obligations under Section 2.6 of the Participation Agreement.

The indemnities and assumptions of liabilities set forth in this Section 6.1 do not guarantee a residual value in the Equipment nor do they guarantee the payment of the Notes or any interest accrued thereon.

In the event that the Lessee is required to make any payment under this Section 6 the Lessee shall pay such indemnified person an amount which, after deduction of all taxes required to be paid by such indemnified person in respect of the receipt thereof under the laws of the United States or any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deduction, credits or allowances in respect of the payment of the expense indemnified against and of any other such taxes as determined in the sole discretion of the indemnified person), shall be equal to the amount of such payment.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment,

whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii), (iv) or (v) of subsection (b) of Section 6.1 hereof, which arise from events which occur after the termination of this Lease and the return of the Equipment to Lessor pursuant to this Lease, except for any such events occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled (a) in any proceeding that involves solely a claim for one or more Liabilities, to assume responsibility for and control thereof, (b) in any judicial proceeding involving a claim for one or more Liabilities and other claims related or unrelated to the transactions contemplated hereby to assume responsibility for and control of such claim for a Liability to the extent that the same may be and is severed from such other claims (and such indemnitee shall use reasonable efforts to obtain such severance unless, in the opinion of counsel for such indemnitee, such severance and assumption of responsibility and control by Lessee has a reasonable possibility of adversely affecting the resolution of such other claims) or (c) in any other case, to be consulted in any such other judicial proceeding subject to the responsibility and control of the indemnitee. Notwithstanding any of the foregoing to the contrary, the Lessee shall not be entitled to assume the responsibility for and control of any such proceedings if (1) the Liabilities involved are less than \$25,000 in the aggregate, (2) an Event of Default shall have occurred and be continuing, (3) such proceeding will involve any danger of the sale, forfeiture or loss of any Equipment or (4) such Liability relates in any way to the business of such indemnitee other than the ownership, leasing and financing of the Equipment. The indemnified party (the "Indemnitee") may participate at its own expense in any judicial proceeding controlled by the Lessee pursuant to the preceding provisions.

The Indemnitee shall supply the Lessee with such information requested by the Lessee as in the reasonable opinion of counsel to such Indemnitee is necessary or advisable for Lessee to control or participate in any proceeding to the extent permitted by this Section. Unless Lessee is excluded from control of a judicial proceeding involving an Indemnitee pursuant to the preceding paragraph, such Indemnitee shall not enter into a settlement or other compromise with respect to any Liability without prior written consent of the Lessee, which consent shall not be unreasonably withheld or delayed, unless such Indemnitee waives its right to be indemnified with respect to such Liability under this Section.

SECTION 7. RULES, LAWS AND REGULATIONS.

At all times the same shall be applicable to any Item of Equipment, the Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use and maintenance of each Item of Equipment subject to this Lease. In the event the Lessee shall be required to make any alteration, replacement, addition or modification to any Item of Equipment (the "Alterations") in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such Alterations at its own expense and title thereto shall be immediately vested in the Lessor. The Lessee agrees that, within 30 days after the close of any calendar quarter in which the Lessee has made Alterations, the Lessee will give written notice thereof to the Lessor describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Item of Equipment and the date or dates when made.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense,

maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange in accordance with the applicable interchange rules, if any. Except as required by the provisions of Section 7 hereof, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor and any assignee pursuant to Section 16 hereof, which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense and restore the Equipment to its original condition.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment other than any liens or charges which the Lessor is obligated to discharge pursuant to Section 2.2 of the Security Agreement or which the Trustor is obligated to discharge pursuant to Section 8 of the Participation Agreement (the "Lessor's Liens"), but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the security interest or other rights of any assignee under Section 16 hereof in and to the Equipment. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING; PAYMENT OF STATE AND LOCAL TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease and the Security Agreement (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) to be duly filed, recorded or deposited in such public offices within or without the United States as the Lessor or any assignee under Section 16 hereof, may reasonably request for the protection of Lessor's title or the security interest of such assignee to the satisfaction of the Lessor's or such assignee's counsel and will furnish the Lessor and such assignee proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or such assignee, for the purpose of protecting the Lessor's title to, or such assignee's security interest in, any Item of Equipment to the satisfaction of the Lessor's or such assignee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor and such assignee proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Taxes Against Lessor or Equipment. Whether or not any of the transactions contemplated hereby are consummated, Lessee shall pay, and shall indemnify, protect, save and keep harmless the Lessor in both its individual and fiduciary capacities, the Trustor, the Note Purchasers, the Security Trustee or any other assignee under Section 16 hereof (referred to collectively, together with their

respective successors and assigns, in this Section 10.2 as "Indemnitees" and individually as "Indemnitee") from and against, any and all fees, taxes (including, without limitation, income, franchise, excise, sales, use, occupational, capital, value-added, property and stamp taxes and taxes imposed in respect of items of tax preference), levies, assessments, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon (all of the foregoing being herein collectively called "Impositions") imposed against such Indemnitee, the Lessee or the equipment or any part thereof by any Federal, state or local government or taxing authority or by any foreign government, foreign governmental subdivision or other foreign taxing authority (i) upon or with respect to the equipment or any part thereof or any interest in any thereof, or (ii) upon or with respect to the manufacture, acquisition, construction, installation, purchase, delivery, ownership, lease, sublease, possession, rental, use, operation, transportation, return, sale, replacement, storage or disposition of the equipment or any part thereof, or (iii) upon or with respect to the rentals, receipts, earnings or gains arising from the equipment or any part thereof or the income or proceeds with respect to the equipment, including, without limitation, principal, interest and other amounts payable on the Notes, or (iv) upon or with respect to this Lease or any other Operative Agreement (as such term is defined in the Participation Agreement) including the performance of any of the transactions contemplated hereby or thereby, or the issuance, acquisition or transfer of the Notes or the establishment of the Trust or the beneficial interest of the Trustor therein, excluding, however: (1) Impositions which are based on, or measured by, the net income of any Indemnitee to the extent imposed by the United States of America; (2) Impositions which are based on, or measured by, the net income of any Indemnitee to the extent imposed by the state, city or municipality in which the principal office of such Indemnitee is located or by any political subdivision of such state, city or municipality; (3) Impositions which are based on, or measured by, the net income of any Indemnitee to the extent imposed by a state, city or municipality in which such Indemnitee is subject to such net income taxes for reasons other than the ownership or leasing of property located in such jurisdiction; (4) Impositions imposed on or for the account of any Indemnitee that result from the gross negligence or willful misconduct of such Indemnitee; (5) Impositions which are imposed with respect to any period, or with respect to any act, occurring after the termination of this Lease and the return of the equipment to the Lessor in accordance with Section 13 of this Lease (unless such termination shall have occurred as a result of this lease having been declared in default pursuant to Section 14 hereof); (6) Impositions imposed as a direct result of a voluntary transfer or other voluntary disposition by any Indemnitee (other than as a result of an Event of Default hereunder), or any transfer or disposition by an Indemnitee resulting from the bankruptcy or other proceeding for the relief of debtors in which such Indemnitee is the debtor, whether voluntary or involuntary, of any interest in any Item of Equipment or interest in rentals under this Lease; (7) Impositions imposed by any foreign country or subdivision thereof incurred as a result of the Indemnitee being taxed by such foreign country or subdivision thereof on its worldwide income without regard to the transaction contemplated by its lease, whether or not the Indemnitee is entitled to a credit against its United States Federal income taxes for the amount imposed on it; and (8) Impositions imposed by any foreign government or taxing authority or governmental subdivision of a foreign country to the extent utilized by an Indemnitee as a credit against United States Federal income taxes otherwise payable by such Indemnitee, assuming for this purpose that such Indemnitee, utilizes (A) first, all foreign taxes (including foreign taxes which are carried over to the taxable year for which a determination is being made) other than those described in the succeeding clause (B), and (B) then, on a *pro rata* basis, all foreign taxes (including foreign taxes which are carried over to the taxable year for which a determination is being made) with respect to which such Indemnitee is entitled to obtain indemnification pursuant to an indemnification provision contained in any lease or participation or other tax indemnity agreement relating to a lease (including this Agreement), *provided*, that if the utilization by such Indemnitee of foreign taxes otherwise payable by Lessee as a credit against such Indemnitee's United States Federal income taxes later results in the expiration of any foreign tax credit carryovers or carrybacks of such Indemnitee that would not otherwise have expired, then the amount of such carryovers or carrybacks shall be treated as Impositions to which this Section 10.2

shall apply, *provided, further, however*, that all determinations as to the utilization of Impositions as credit and as to whether Impositions are to be excluded from the Lessee's indemnity contained in this Section 10.2 pursuant to this clause (8) shall be made by such Indemnatee, which determinations shall be conclusive and binding on Lessee if such Indemnatee shall certify in writing to Lessee that such determinations were made in good-faith compliance with the provisions in this clause (8); *provided, however*, that none of such exclusions shall apply to Impositions imposed on the trust established by the Trust Agreement, the Trust Estate (as defined in the Trust Agreement) or the Trustee in its capacity as Lessor; *provided, further, however*, that Lessee agrees to pay any such Impositions referred to in the foregoing clauses (1) through (8) which are in substitution for or relieve Lessee from any Impositions or indemnity therefor which Lessee would otherwise be obligated to pay under the terms of this Section 10.2.

With respect to any payment or indemnity under this Section 10.2, such payment or indemnity shall include any amount necessary to hold any Indemnatee receiving such payment harmless on a net after-tax basis (taking into account any tax benefit or detriment realized by such Indemnatee as a result of such payment) from all taxes required to be paid by such Indemnatee with respect to such payment or indemnity under the laws of any Federal, state or local government or taxing authority in the United States of America. In case any report or return is required to be filed with respect to any obligation of Lessee under this Section 10.2 or arising out of this Section 10.2, Lessee will either make such report or return in such manner as will show the ownership of the equipment in Lessor or will notify Lessor of such requirement and make such report or return in such manner as shall be satisfactory to Lessor.

Upon the commencement of any proceeding (including the written claim or written threat of any proceeding) against an Indemnatee involving one or more Impositions, such Indemnatee shall promptly, upon receiving written notice thereof, give notice of such commencement to Lessee. The failure by such Indemnatee so to notify Lessee shall not relieve Lessee of any liability that it may have to such Indemnatee hereunder, but any payment by Lessee to an Indemnatee pursuant to this Section 10.2 shall not be deemed to constitute a waiver of any right or remedy which Lessee may have against such Indemnatee as a result of the failure by such Indemnatee to give Lessee notice of a proceeding as provided in the first sentence of this paragraph, *provided* that Lessee shall have no such right or remedy unless such failure of such Indemnatee to give notice of such proceedings caused Lessee to be unable to contest the Imposition indemnified against. Lessee shall be entitled (a) in any proceeding that involves solely a claim for one or more Impositions, to assume responsibility for and control thereof, (b) in any proceeding involving a claim for one or more Impositions and other claims related or unrelated to the transactions contemplated by the Operative Agreements, to assume responsibility for and control of such claim for an Imposition to the extent that the same may be and is severed from such other claims (and such Indemnatee shall use reasonable efforts to obtain such severance unless, in the opinion of counsel for such Indemnatee, such severance and assumption of responsibility and control by Lessee has a reasonable possibility of adversely affecting the resolution of such other claims) or (c) in any other case, to be consulted by such Indemnatee with respect to proceedings subject to the control of such Indemnatee. Notwithstanding any of the foregoing to the contrary, Lessee shall not be entitled to assume the responsibility for and control of any such judicial proceedings if (1) the Impositions involved are less than \$25,000 in the aggregate, (2) an Event of Default under Section 14 hereof or any event which with the lapse of time or the giving of notice or both would become such an Event of Default ("Default") shall have occurred and be continuing, (3) such proceedings will involve any reasonable danger of the sale, forfeiture or loss of the equipment or any part thereof, or (4) such Imposition relates in any way to the business of any Indemnatee other than the ownership and leasing of the Equipment, (5) the claims, in the opinion of independent counsel for such Indemnatee reasonably satisfactory to Lessee, have reasonable possibility of otherwise compromising or jeopardizing any substantial interests of the Indemnatee, or (6) Lessee shall not have furnished the Indemnatee with an opinion of independent counsel reasonably satisfactory to such

Indemnatee to the effect that there exists a meritorious basis for contesting that Imposition. The Indemnatee may participate at its own expense in any proceeding controlled by Lessee pursuant to the preceding provisions.

The Indemnatee shall supply Lessee with such information requested by Lessee as in the reasonable opinion of counsel to such Indemnatee is necessary or advisable for the Lessee to control or participate in any proceeding to the extent permitted by this Section 10.2 Unless Lessee is excluded from control of a proceeding involving an Indemnatee pursuant to the preceding paragraph or a Default or Event of Default has occurred and is continuing, such Indemnatee shall not enter into a settlement or other compromise with respect to any Imposition without prior written consent of Lessee, which consent shall not be unreasonably withheld or delayed, unless such Indemnatee waives its right to be indemnified with respect to such Imposition under this Section 10.2.

If an Indemnatee shall obtain a repayment of any Imposition paid by the Lessee pursuant to this Section 10.2, such Indemnatee shall promptly pay to Lessee the amount of such repayment, together with any interest (other than interest for the period, if any, after such Imposition was paid by such Indemnatee until such Imposition was paid or reimbursed by Lessee) received by such Indemnatee on account of such repayment.

The provisions of this Section 10.2 shall survive the expiration or termination of this Lease and the other Operative Agreements.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee covenants and agrees that it will at all times while this Lease is in effect, at its own expense, cause to be carried and maintained for each Item of Equipment from time to time subject to this Lease, property and public liability insurance in such amounts and against such risks and with such insurers as shall be satisfactory to the Lessor and any assignee under Section 16 hereof; *provided*, that, in the case of property insurance, the Lessee will be permitted to self-insure to the extent it self-insures equipment similar in nature to the Equipment which it owns or leases, but in any event the Lessee shall maintain in effect such property insurance as is required by prudent industry practice in respect of equipment similar in nature to the Equipment. All such property insurance policies shall provide that the Lessor, the Note Purchasers, the Trustor and the Lessee shall be named assureds and that, so long as no Event of Default has occurred and is continuing, losses shall be adjusted with the Lessee and that the proceeds thereof shall be payable to the Lessor; *provided* that so long as the principal of or interest on any Note shall remain unpaid, such policies shall provide that the losses, if any, shall be payable to any assignee under Section 16 hereof under a standard mortgage loss payable clause satisfactory to the Lessor and such assignee. All proceeds of insurance received by the Lessor and such assignee with respect to any Items of Equipment not suffering a Casualty Occurrence (as hereinafter defined) shall be paid to the Lessee upon proof satisfactory to the Lessor and such assignee that any damage to any Item with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Lessor and such assignee with respect to a Casualty Occurrence shall be credited toward the payment required by this Section 11 with respect to such Casualty Occurrence.

The Lessee covenants and agrees that it will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained public liability insurance in amounts and against risks required by prudent industry practice in respect of equipment similar in nature to the Equipment and in any event comparable to insurance maintained by the Lessee in respect of equipment which it owns or leases which is similar in nature to the Equipment. The Lessee represents and agrees that all policies of insurance carried pursuant to the first sentence of this paragraph will name the Lessor in both its individual and fiduciary capacities, the Trustor, the Lessee and any assignee under Section 16 hereof as assureds and that the coverage provided by all such policies, as in effect and satisfactorily

evidenced to the Lessor and the Trustor on the First Delivery Date under the Participation Agreement, shall not be cancelled, reduced or otherwise materially changed without at least 60 days' prior written notice from the Lessee to the Lessor, the Trustor and the Security Trustee.

All policies of insurance to be carried pursuant to this Section 11.1 shall provide that the same shall not be cancelled or materially changed without at least 30 days' prior written notice to each insured named therein. No such policy shall provide that the coverage thereunder for the benefit of the Lessor, the Trustor or any assignee under Section 16 hereof shall be restricted, impaired or invalidated by any breach or violation by the Lessee of warranties, declarations or conditions contained in such policies and the Lessee shall, upon the request of the Lessor or such assignee (but not more frequently than annually), furnish either a certificate of the insurer to such effect or a certificate of an officer of the Lessee or an opinion of counsel of the Lessee that no such policy contains such provisions. The Lessee covenants and agrees that it will throughout the term hereof furnish to the Lessor and such assignee certificates of insurers or other satisfactory evidence of the maintenance of the insurance required by this Section 11.1

11.2. Duty of Lessee to Notify. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or title thereto shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease or use thereof shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease for a stated period which exceeds the then remaining term of this Lease (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor, the Trustor and any assignee thereof pursuant to Section 16 hereof in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Item in accordance with the terms of Section 11.3 hereof.

11.3. Sum Payable for Casualty Loss. The Lessee, on the next succeeding rent payment date following its notice of a Casualty Occurrence with respect to any Item or Items of Equipment, shall pay to the Lessor the Interim or Fixed Rental installment due on such payment date for such Item of Equipment plus any rentals or other sums due on or prior to such date then remaining unpaid plus a sum equal to the Casualty Value of such Item of Equipment as of the next succeeding rent payment date following the date of occurrence of such Casualty Occurrence.

11.4. Rent Termination. Upon (and not until) payment of all sums required to be paid pursuant to Section 11.3 hereof in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, the Lessee may, to the extent the Casualty Value with respect thereto has been paid, retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the next succeeding rent payment date following the date of occurrence of such Casualty Occurrence (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price (as defined in the Participation Agreement) of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such rental payment date.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and all rental installments and other sums due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay all installments of rental and other sums shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before the first May 1 which occurs more than four months following the date of this Lease and each May 1 thereafter, the Lessee will furnish to the Lessor, the Trustor, the Note Purchasers, the Security Trustee and any other assignee pursuant to Section 16 hereof an accurate statement as of the preceding December 31 (a) showing the amount, description and identifying numbers of the Items of Equipment then leased hereunder, and the amount, description and road numbers of any units of railroad rolling stock, if any, to which such Items are attached, the amount, description and identifying numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor, the Trustor, the Note Purchasers, the Security Trustee and any other assignee pursuant to Section 16 hereof each shall have the right, at their respective sole cost and expense, by their respective authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Equipment during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease or any renewal thereof with respect to any Item of Equipment, the Lessee will, at its own cost and expense, deliver possession of such Item of Equipment to the Lessor at such reasonable storage place on or adjacent to railroad lines operated by the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment at such place for a period not exceeding 90 days, which period shall begin when 90% of the Items then subject to this Lease will have been delivered to the point of storage, and transport the same at any time within such 90-day period to any reasonable place on any railroad lines operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; provided that the obligation of the Lessee to so transport shall be limited to only one such movement in respect of any

such Item of Equipment. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Item, to inspect the same; provided, however, that the Lessee shall be liable for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser or lessee, the rights of inspection granted under this sentence, except in the case of negligence of the Lessor or any prospective purchaser or lessee of any Item or any of its employees or agents. During any such storage period the Lessee shall maintain insurance of the scope and nature required by Section 11.1 hereof and maintain the Items of Equipment in such manner as the Lessee normally maintains similar equipment owned or leased by it in similar storage circumstances. All amounts, if any, earned in respect of the Equipment shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the expiration of this Lease, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Fair Rental Value (determined in the manner provided in Section 18 hereof) for such Item of Equipment for each such day exceeds the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence. The assembling, 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 the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment. Nothing contained herein shall be deemed a waiver by Lessor of any right of action for damages on account of Lessee's failure to perform its obligations hereunder.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or Casualty Value provided in Section 2 or 11 hereof and such default shall continue for five days;

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof;

(c) The Lessee shall at any time fail to maintain insurance in the manner required by Section 11.1 hereof;

(d) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after the earlier of (i) any responsible officer of the Lessee shall have acquired knowledge of such default in such observance or performance, or (ii) written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(e) Any representation or warranty made by the Lessee herein or in the Participation Agreement, except those representations and warranties set forth in Section 7(c) thereof, or the Purchase Order Assignment or in any statement or certificate furnished to the Lessor, the Trustor, the Note Purchasers or the Security Trustee pursuant to or in connection with this Lease, the Participation Agreement or the Purchase Order Assignment is untrue in any material respect as of the date of issuance or making thereof;

(f) Any proceedings other than pursuant to the Bankruptcy Reform Act of 1978 shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any

readjustments of the obligations of the Lessee hereunder), and such proceedings shall not have been dismissed, nullified, stayed or otherwise rendered ineffective;

(g) A petition in voluntary bankruptcy or seeking relief under any provision of the Bankruptcy Reform Act of 1978 or any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect is filed by the Lessee, or the Lessee consents to the filing of any petition against it under any such law; or

(h) A petition for reorganization under the Bankruptcy Reform Act of 1978, as now constituted or as hereafter amended, shall be filed against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by such trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor or, in the event this Lease shall be assigned to an assignee pursuant to Section 16 hereof, such assignee, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including reasonable attorneys' fees; and/or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever, but the Lessor shall nevertheless have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Item of Equipment which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value (as reasonably estimated by Lessor) of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess of any of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Value thereof at such time; provided, however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (i) with respect

thereto may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay rental, in addition thereto, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of Section 14.2 above, the Fair Market Value or, as the case may be the Fair Rental Value for any Item of Equipment shall be determined by Lessor as provided in the definitions of such terms in Section 18.4 hereof (except that the determination shall be made on an "As-Is", "Where-Is" basis); provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item; provided, further, that if Lessor is unable to recover possession of any Item of Equipment, its Fair Market Value and Fair Rental Value shall be zero.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor, the Trustor, the Note Purchaser and the Security Trustee, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of Section 14.1(d) hereof and this Section 14.5 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor and during such period of storage the Lessee shall continue to maintain the insurance required by Section 11.1 hereof; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing.

All amounts earned in respect of the Equipment after the date of termination of this Lease shall belong to the Lessor or in the event this Lease has been assigned pursuant to Section 16 hereof, to such assignee, and, if received by the Lessee, shall be promptly turned over to the Lessor, or in the case of such assignment, to such assignee. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor or, in the case of such assignment, to such assignee for each day thereafter an amount equal to 0.060672% of the Purchase Price of such Item of Equipment. Nothing contained herein shall be deemed a waiver by Lessor of any right of action for damages on account of Lessee's failure to perform its obligations hereunder.

15.2. Specific Performance. The assembling, 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, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be

exercised by the Lessor (except those rights, privileges and remedies relating to amounts payable to the Lessor or the Trustor pursuant to Sections 6, 10.2, 11.1 [with respect to public liability insurance] and 20.2 hereof which shall remain enforceable by the Lessor and/or the Trustor, as the case may be), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, said assignee, the Trustor and the Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor.

It is understood and agreed that the right, title and interest of any such assignee in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, sublease or otherwise part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof on or adjacent to the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee and for such other uses as are normally made by the Lessee of maintenance of way equipment, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Item of Equipment to service (including, without limitation, the regular operation or maintenance thereof) outside the continental United States. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees shall have duly assumed the obligations of the Lessee hereunder and that they will not, upon the effectiveness of such merger or consolidation or acquisition of properties and the assumption of such obligations, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

SECTION 18. LESSEE PURCHASE OPTION AND RENEWAL OPTIONS.

18.1. Purchase Option. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall have the right to purchase all but not less than all of the Items of

Equipment then leased hereunder at the expiration of the original term or of any renewal term pursuant to Section 18.2 hereof at a price equal to the Fair Market Value of such Items of Equipment (as hereinafter defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the term of its election to exercise the purchase option provided for in this Section, which notice shall be irrevocable. Payment of the option price shall be made at the place of payment specified in Section 2 hereof in funds there current against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and containing a warranty against Lessor's Liens. The Lessor shall not be required to make any other representation or warranty as to the condition of the Equipment or any other matters, and may specifically disclaim any such representations or warranties.

18.2. Renewal Options. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for up to three consecutive renewal terms of one year each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the Fixed Rental payable for and during each such renewal term shall be an amount equal to the Fair Market Rental for the Items of Equipment, all such Fixed Rentals shall be payable semiannually in arrears, and the Casualty Value payable during any such renewal term shall be equal to the amount set forth in Schedule C hereto. Each such renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 180 days prior to commencement of such renewal term, which notice shall be irrevocable.

18.3. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

18.4. Determination of Fair Market Value or Fair Rental Value. The Fair Market Value or Fair Rental Value, as the case may be, of the Items of Equipment shall be determined on the basis of, and shall be equal in amount to the value which would obtain in an arm's-length transaction between an informed and willing lessee or buyer, as the case may be (other than a lessee or buyer, as the case may be, currently in possession) and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be, and any such determination shall be made on the assumption that each Item of Equipment has been maintained throughout the term of this Lease in accordance with the obligations of the Lessee set forth in Section 8 hereof. If on or before 90 days prior to the expiration of the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or the Fair Market Value, as the case may be, of the Items of Equipment, such value shall be determined in accordance with the foregoing definitions, respectively, by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 days after such notice is given, each party shall appoint an independent appraiser within 20 days after such notice is given, and the two appraisers so appointed shall within 25 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine such value of the Items of Equipment within 60 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of such value of the single appraiser appointed shall be final.

If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as such value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining the Fair Rental Value and/or Fair Market Value, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding any nonpayment of rent or any other amount due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 17.50% per annum (or the lawful rate, whichever is less) on the overdue rentals or other amounts payable hereunder and amounts expended by the Lessor on behalf of the Lessee for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.1. Limitations of Liability. It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by The Bank of New York, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by The Bank of New York or the Trustor, or for the purpose or with the intention of binding The Bank of New York or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease is executed and delivered by The Bank of New York solely in the exercise of the powers expressly conferred upon The Bank of New York as trustee under the Trust Agreement, that actions to be taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Bank of New York or the Trustor, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, The Bank of New York or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person now or hereafter claiming by, through or under the Lessee, and that so far as The Bank of New York or the Trustor, individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease; provided that nothing in this Section 20.1 shall be construed to limit in scope or substance those representations and warranties of The Bank of New York in its individual capacity set forth in the Participation Agreement. The term "Lessor" as used in this Lease shall include any trustee succeeding The Bank of New York as trustee under the Trust Agreement or the Trustor if the trust created thereby is revoked. Any obligation of the Lessor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by the Lessee in its corporate capacity

and that nothing herein contained shall be construed as creating any liability on any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Lessee to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessor and the Trustor and by each and every person now or hereafter claiming by, through or under the Lessor or the Trustor.

20.2. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor:	The Bank of New York 21 West Street New York, New York 10015 Attention: Corporate Trust Trustee Administration with a copy to: Litton Equity Investments, Inc. 600 Summer Street P. O. Box 601 Stamford, Connecticut 06904 Attention: Vice President, Special Financings with all payments to the Lessor to be made by wire transfer of immediately available funds to: State National Bank of Connecticut 1 Atlantic Street Stamford, Connecticut for deposit to Litton Equity Investments, Inc.'s operating account, Account No. 1-37976-1, with copies of such wire transfer advice to be furnished as provided above for notices to the Lessor
If to the Trustor:	Litton Equity Investments, Inc. 600 Summer Street P. O. Box 601 Stamford, Connecticut 06904 Attention: Vice President, Special Financings
If to any Note Purchaser:	At its address provided in Schedule 1 to the Participation Agreement
If to the Lessee:	Burlington Northern Railroad Company c/o Burlington Northern Inc. 1111 Third Avenue Seattle, Washington 98101 Attention: Vice President and Treasurer

or addressed to any such party at such other address as such party shall hereafter furnish to such other parties in writing.

20.3. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, either the Lessor or, in the case of an assignment by the Lessor pursuant to Section 16 hereof, the assignee thereunder may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so

made by any such party and all cost and expense (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest at the rate of 17.50% per annum.

20.4. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

20.5. Law Governing. This Lease shall be construed in accordance with the laws of the State of Minnesota; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

20.6. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

20.7. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of February 15, 1982 for the benefit of Litton Equity Investments, Inc.

[CORPORATE SEAL]

ATTEST:

Assistant Secretary

By _____
Assistant Vice President

BURLINGTON NORTHERN RAILROAD COMPANY

By *R C Burlington*
Vice President

[CORPORATE SEAL]

ATTEST:

[Signature]
Assistant Secretary

This Lease and certain of the sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, Mercantile-Safe Deposit and Trust Company, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of February 15, 1982 from The Bank of New York, as Trustee, to said Security Trustee. Information concerning such security interest may be obtained from said Security Trustee at its principal office at Two Hopkins Plaza, Baltimore, Maryland 21203, Attention: Corporate Trust Department.

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
L Z Company Inc. 1881 No. Rice Street St. Paul, MN 55113	Massey Ferguson Model MF30 Industrial Tractor	6	\$ 19,881	\$ 119,286	X32-0329-0334
	Massey Ferguson Model MF408 Backhoe Loader	5	27,172	135,860	X32-0335-3339
Rexnord Inc. c/o Russel Railway Supply Co. 4940 Viking Drive Minneapolis, MN 55435	Automatic Spike Hammer	4	81,330	325,320	X45-0219-0222
	Nordberg Model CZ Adzer	8	28,105	224,840	X3 -0104-0111
	Nordberg Model "B" Hydro-Spiker	3	71,400	214,200	X44-056-058
	Nordberg Model "BP" Mechanical Spike Puller	10	27,430	274,300	X47-0161-0170
Borchert Ingersoll Inc. 3275 Dodd Road P. O. Box 43037 St. Paul, MN 55164	Nordberg Model "KT" Tie Drill	4	10,695	42,780	X23-0095-0098
	Front-end Loader Terex Model 72-31B	2	94,260	188,520	X24-0157-0158
	Model FGTX-30FH Low Boy Trailer	1	45,606	45,606	X72-0024
Transportation Products Co. 80 E. Jackson Boulevard Room 307 Chicago, IL 60604	Front-end Loader Terex Model 72-61	1	149,263	149,263	X24-0159
	Little Giant Model 32 Hy-Rail Truck Crane	1	155,982	155,982	X15-0055
	Ohio Model DE-400 Locomotive Crane	1	477,889	477,889	975432
Air Power Equipment Corp. 2631 University Avenue St. Paul, MN 55114	Ohio Model DE-400 Locomotive Crane with Pile Driver	1	634,332	634,332	975431
	Ing. Rand Model P-250-W-D 250CFM Air Compressor	4	14,139	56,556	X2-4510-4513
	Ing. Rand Model 175 Air Compressor	6	8,128	48,768	X2-3609-3614
Fairmont Railway Motors 386 No. Wabasha Suite 550 St. Paul, MN 55102	Ing. Rand Model 335 Air Compressor	1	18,127	18,127	X2-5529
	Fairmont Model W115-B1 Tie Pusher	1	57,299	57,299	X63-0029
	Fairmont Model W-113 Dual Spike Puller	2	19,597	39,194	X47-0159-0160
	Fairmont Model W-86-F Rail Lifter	12	6,825	81,900	X38-0067-0078
	Fairmont Model W-84 Hydraulic Spike Puller	11	7,078	77,858	X47-0148-0158
	Fairmont Model W-968 Spike Setter-Driver	2	72,314	144,628	X44-0066-0067
	Fairmont Model W-114-C Tie Shear	4	68,472	273,888	X40-0055-0058
Donald J. Hogan & Co. Portec Inc. RMC Div. 327 S. LaSalle Street Chicago, IL 60604	Fairmont Model W-71 Series "B" Tie Sprayer	2	6,581	13,162	X66-0057-0058
	Fairmont Model W-87 Series "E" Scarifier	2	48,475	96,950	X42-0059-0060
	Portec Model D Hydraulic Tie Spiker	5	73,718	368,590	X44-0061-0065
Railway Track Work Co. 2381 Philmont Avenue Bethayres, PA 19006	Portec RMC HD-28 On Track Brush Cutter	3	130,662	391,986	X11-0024-0026
	Portec RMC Model S2 Rail Spiker	8	73,997	591,976	X44-0072-0079
	Railway Track Work Model 2170-A Crane	1	38,494	38,494	X60-0115
Kershaw Manufacturing Co. c/o D. J. Hogan Co. 327 S. LaSalle Street Chicago, IL 60604	Model 2170-A Tie Handler with Articulated Boom	12	29,700	356,400	X60-0083-0094
	Evans/R.T.W. Tunnel Clearance Truck	1	125,000	125,000	7900
	Kershaw Model 39-2 Tie Injector	5	68,320	341,600	X61-0030-0034
	Kershaw Model 24-1 Tie Gang Regulator	7	43,025	301,175	X6-0149-0155
	Kershaw Model 12-2-2 Tie Crane	20	28,950	579,000	X60-0095-0114
	Kershaw Model 11-3 Bridge Crane	1	37,525	37,525	X17-0015
	Kershaw Model 37-1 Tie Saw	2	63,795	127,590	X40-0059-0060
	Kershaw Scarifiers	2	48,475	96,950	X42-0061-0062
	Kershaw Model 16-1 Brush Type Kribber	1	10,740	10,740	X16-0063
Holley Engineering Co. 1872 Cherry Street Montgomery, AL 36107	Kershaw Model 26-2-1 Ballast Regulator	17	72,911	1,239,487	X6-0156-0172
	Holley Model 45 Plate Plucker w/Conveyor	9	15,575	140,175	X85-0004-0012
Nebraska Tractor & Equip Co. 4115 So. 90th Street Omaha, NE 68127	International Harvester Front-end Loader	1	81,783	81,783	X24-0161
Teleweld Inc. c/o Russell Ry. Supply 4940 Viking Drive, Room 540 Minneapolis, MN 55435	Teleweld CWR Rail Heating Car	7	32,100	224,700	X82-0013-0019

(Burlington Northern No. 82-1)

**SCHEDULE A
(to Equipment Lease)**

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northe Identifying Numbe.</u>
Jackson Jordan Inc. 1699 E. Woodfield Road Box 95036 Schamburg, FL 60195	Jackson Model 6500 Switch Spot & Production Tamper	1	\$167,500	\$ 167,500	X54-0109
Road Machinery & Supply Co. 4901 W. 80th Street Minneapolis, MN 55437	CMI Load King Model 403 DFP Low Boy Trailer	1	53,451	53,451	X72-0025
T. C. Johnson Co. 521 E. Washington Street Chagrin Falls, OH 44022	Galion Model ML-40 Material Lift	2	103,900	207,800	X24-0164-0165
	Stork Model 27-6 Car Top Material Handler	1	151,237	151,237	X88-0002
Plasser Am. Corp. 2001 Myers Road P. O. Box 5464 Chesapeake, VA 23324	Plasser Model PTT-16 Tie Tamper	3	56,194	168,582	X53-0025-0027
Pettibone Corp. 4700 W. Division Street Chicago, IL 60651	Pettibone Mulliken Model 441-B Swing Loaders	3	114,681	344,043	X24-0161-0163
Galion Mfg. Co. c/o T. C. Johnson Co. Box 433 521 E. Washington Street Chagrin Falls, OH 44022	Galion Model 150F Hydraulic Crane	10	115,970	1,159,700	X16-0030-0039
Racine Railroad Products 1524 Frederick Street P. O. Box 4029 Racine, WI 53404	Racine Anchor Applicator	7	20,670	144,690	X1-0116-0122
Safe Tran Systems Corp. 4650 Main Street, N.E. Minneapolis, MN 55421	Raco Model C Track Wrench	4	5,704	22,816	X9-0287-0290
	Safetrain Duel Spoke Driver Model SD-80	4	9,004	36,016	X45-0219-0222
Western Cullen c/o Russell Railway Supply Co. 4940 Viking Drive Minneapolis, MN 55435	Model 40 Burro Crane	1	223,055	223,055	975069
Tamper 2401 Edmund Road West Columbia, SC 29169	Electromatic Model EASJDG Mark 1 Tamper	6	135,508	813,048	X54-0110-0115
	Model EAS Switch Electromatic Tamper Mark 1	5	88,853	444,265	X56-0100-0104
	Electromatic Model EA Tamper Mark 1	10	77,584	775,840	X53-0028-0037
	TOTAL	<u>254</u>		<u>\$13,661,722</u>	

**CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE**

To: THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of February 15, 1982 for the benefit of Litton Equity Investments, Inc. (the "Lessor")

(the "Manufacturer")

I, a duly appointed and authorized representative of BURLINGTON NORTHERN RAILROAD COMPANY (the "Lessee") under the Equipment Lease dated as of February 15, 1982 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the following Items of Equipment:

TYPE OF EQUIPMENT:

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

IDENTIFYING NUMBER:

I do further certify that the foregoing Items of Equipment are in good order and condition, and appear to conform to the specifications applicable thereto, that the Lessee has no knowledge of any defect in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect, and that each Item has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"Leased and Subject to a Recorded Security Interest."

I do further certify that each Item of Equipment described herein has not been placed in service by the Lessee or any other person.

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer for any warranties it has made with respect to the Equipment.

Dated: , 1982

*Inspector and Authorized
Representative of the Lessee*

(Burlington Northern No. 82-1)

**SCHEDULE B
(to Equipment Lease)**

SCHEDULE OF CASUALTY VALUE

The Casualty Value for an Item of Equipment shall mean an amount determined as of the next succeeding rent payment date following the date of occurrence of a Casualty Occurrence with respect to such Item equal to the percent of the Purchase Price of such Item set forth opposite such date in the following schedule (as the same may be increased pursuant to Annex 1 to this Schedule C):

<u>Term Lease Commencement Date or Fixed Rental Payment Date Next Succeeding Casualty Occurrence</u>	<u>Percentage of Purchase Price Payable as Casualty Value</u>
Term Lease Commencement Date	90.6903
February 1, 1983	90.6903
August 1, 1983	88.1141
February 1, 1984	87.2014
August 1, 1984	83.5372
February 1, 1985	82.1139
August 1, 1985	76.8624
February 1, 1986	74.2006
August 1, 1986	67.2977
February 1, 1987	63.1867
August 1, 1987	54.6460
February 1, 1988	49.3404
August 1, 1988	41.0498
February 1, 1989	35.1501
August 1, 1989	26.6681
February 1, 1990 and thereafter	20.0000

(Burlington Northern No. 82-1)

**SCHEDULE C
(to Equipment Lease)**

ANNEX 1 TO SCHEDULE C
(to Equipment Lease)

The percentages set forth in Schedule C have been computed without regard to recapture of the Investment Credit provided for in Section 38 and related sections of the Internal Revenue Code of 1954, as amended. Consequently, the Casualty Value of any Item of Equipment suffering a Casualty Occurrence on or before the Dates set forth hereafter shall be increased by the applicable percentage of the Purchase Price set forth below:

<u>Fixed Rental Payment Date on which Casualty Value is Determined</u>	<u>Percentage of Purchase Price</u>
February 1, 1983	20.0401
August 1, 1983	20.0401
February 1, 1984	16.0321
August 1, 1984	16.0321
February 1, 1985	12.0240
August 1, 1985	12.0240
February 1, 1986	8.0160
August 1, 1986	8.0160
February 1, 1987	4.0080
August 1, 1987	4.0080

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EQUIPMENT LEASE

INDEPENDENT STATE COMMERCE COMMISSION

Dated as of February 15, 1982

Between

**THE BANK OF NEW YORK,
not in its individual capacity, but solely as trustee**

Lessor

And

BURLINGTON NORTHERN RAILROAD COMPANY

Lessee

**(Burlington Northern No. 82-1)
(Maintenance of Way Equipment)**

This Lease and certain of the sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, Mercantile-Safe Deposit and Trust Company, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of February 15, 1982 from The Bank of New York, as Trustee, to said Security Trustee. Information concerning such security interest may be obtained from said Security Trustee at its principal office at Two Hopkins Plaza, Baltimore, Maryland 21203, Attention: Corporate Trust Department.

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Schedule A—DESCRIPTION OF ITEMS OF EQUIPMENT

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EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of February 15, 1982 is between THE BANK OF NEW YORK, a New York corporation, not in its individual capacity but solely as Trustee (the "Lessor") under the Trust Agreement dated as of February 15, 1982 (the "Trust Agreement") between it and LITTON EQUITY INVESTMENTS, INC., a Nevada corporation (the "Trustor") and BURLINGTON NORTHERN RAILROAD COMPANY, a Delaware corporation (the "Lessee").

RECITALS:

A. Pursuant to a Purchase Order Assignment dated as of February 15, 1982, the Lessee has assigned to the Lessor its right to purchase the Equipment referred to below.

B. The Lessee and the Lessor have entered into a Participation Agreement dated as of February 15, 1982 (the "Participation Agreement") with the Trustor, Mercantile-Safe Deposit and Trust Company, as security trustee (the "Security Trustee") and Aetna Insurance Company and Congen Five & Company (the "Note Purchasers") providing for the commitment of the Lessor to acquire the maintenance of way equipment (collectively the "Equipment" and individually an "Item" or "Item of Equipment") described in Schedule A hereto and made a part hereof. Under the Participation Agreement, the Note Purchasers will commit to purchase 16.50% Secured Notes (the "Notes") of the Lessor in an amount equal to 65.978% of the Purchase Price (as defined therein) of each Item of Equipment. It is contemplated that the Participation Agreement will provide that the Notes will be secured by an assignment of the Lessor's right, title and interest in and to this Lease and in and to the Equipment pursuant to a Security Agreement-Trust Deed dated as of February 15, 1982 (the "Security Agreement") from the Lessor to the Security Trustee.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. Upon delivery of each Item of Equipment by the manufacturers and suppliers thereof identified in Schedule A hereto (hereinafter referred to collectively as the "Manufacturers" and individually as a "Manufacturer"), the Lessee shall lease and let such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. The Lessor will cause each Item of Equipment to be tendered to the Lessee at such place of delivery in the continental United States as the Lessee and the Lessor shall agree, or if no such agreement shall be reached, at the place of manufacture thereof. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor and the Manufacturer a Certificate of Acceptance (the "Certificate of Acceptance") in the form attached hereto as Schedule B with respect to such Item of Equipment; provided, however, that the Lessee shall not accept and the Lessor shall have no obligation to lease any Item of Equipment delivered after July 31, 1982 (the "Outside Delivery Date").

1.3. Certificate of Acceptance. The Lessee's execution and delivery of a Certificate of Acceptance with respect to each Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's or the Lessor's rights, if any, against the Manufacturer thereof, such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads

applicable to new railroad maintenance of way equipment of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rental for Equipment. (a) *Fixed and Interim Rental.* The Lessee agrees to pay the Lessor the following rent for each Item of Equipment:

(i) For each Item of Equipment, fifteen consecutive semiannual installments of fixed rental (the "Fixed Rentals") payable in arrears, each in an amount equal to 8.736812% of the Purchase Price thereof; and

(ii) One installment of Interim Rental (the "Interim Rental") for the period prior to and including the Term Lease Commencement Date in an amount equal to any portion of accrued interest due and payable on the Notes on the Term Lease Commencement Date which the Trustor shall, for any reason (including failure to receive notice of payment required under said Section 2.6) fail to pay pursuant to its obligation set forth in Section 2.6 of the Participation Agreement.

The amount of any Interim Rental paid by the Lessee in accordance with its undertaking contained in clause (ii) of this Section 2.1(a) may, at the option of the Lessee, be set off and credited against the amount of any installment of Fixed Rental payable by the Lessee hereunder; provided, however, that no installment of Fixed Rental shall be reduced by virtue of any such setoff or credit below the amount necessary to discharge that portion of the principal and/or interest on the Notes due and payable on the payment date of such installment.

(b) *Supplemental Rental.* The Lessee agrees to pay the Lessor, as supplemental rent hereunder (i) from time to time amounts equal to any deficiency with respect to the Escrow Fund payable by the Lessor to the Security Trustee pursuant to the last paragraph of Section 2.2(e) of the Participation Agreement and (ii) an amount equal to the amount, if any, of accrued interest on the portion of the Notes being prepaid on the Cut-Off Date pursuant to Section 2.2(g) of the Participation Agreement payable by the Lessor to the Security Trustee. Such supplemental rentals shall be payable on the same dates as the coinciding amounts payable by the Lessor are payable and in the same manner.

2.2. Rent Payment Dates. The installment of Interim Rental, if any, shall be due and payable on the Term Lease Commencement Date. The first installment of Fixed Rental for each Item of Equipment shall be due and payable six months following the Term Lease Commencement Date and the balance of said installments shall be payable at six month intervals thereafter with the final such installment payable seven years and six months following the Term Lease Commencement Date. If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "Term Lease Commencement Date" shall mean August 1, 1982, and the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of New York, Minnesota or Maryland are authorized or required to close.

2.3. Adjustment of Rentals. (a) In the event that (i) the sum of all expenses paid pursuant to Section 2.5(i)(a) and 2.5(i)(b) of the Participation Agreement exceeds \$30,000, or (ii) the Deposit Dates under the Participation Agreement occur on dates or require the purchase of Notes by the Note Purchaser in amounts other than as expressed in Section 2.2(b) to be contemplated by the parties thereto, or (iii) the Closing Dates under the Participation Agreement occur on dates or require the purchase of Equipment in amounts other than as expressed in Section 2.2(b) of the Participation Agreement to be contemplated by the parties thereto, or (iv) less than all of the Items of Equipment described in Schedule A hereto are delivered to and accepted by the Lessee under the Lease on or prior to July 31, 1982, or (v) a change in any tax law, regulation or tax rate shall be enacted and become effective prior to August 1, 1982 which alters or eliminates any of the Tax Benefits (as defined

in Section 7(a) of the Participation Agreement), then the Lessee and the Lessor agree that the Fixed Rentals shall be adjusted to such amount as shall cause the Trustor's after-tax return on and rate of recovery of investment and periodic net cash flows (computed on the same assumptions, including tax rates, as were utilized by the Trustor in originally evaluating this transaction) to equal that which would have been realized by the Trustor if none of the conditions specified in clauses (i) through (v) had occurred, and the Casualty Values shall similarly be adjusted. The amount of any such adjustments will be determined by the Trustor, which determination shall be conclusive and binding on Lessee if the Trustor shall certify in writing to the Lessee that such adjustment was determined in good-faith compliance with the immediately preceding sentence. Lessor and Lessee agree to execute an addendum to this Lease to reflect each such adjustment; *provided* that such adjustment shall be effective for all purposes of this Lease regardless of whether such addendum is actually executed and delivered.

(b) Anything in Section 2.3(a) hereof to the contrary notwithstanding, the amounts payable as installments of Fixed Rental and Casualty Values hereunder with respect to any Item of Equipment (i) shall in no event be reduced below amounts necessary to discharge that portion of the principal of and/or interest on the Notes due and payable on each rent payment date under this Lease, and (ii) shall comply with the guidelines for Internal Revenue Service rulings on leveraged leases set forth in Revenue Procedures 75-21 and 75-28.

2.4. Place and Manner of Rent Payment. The payments to be made by the Lessee under this Lease shall be made as follows:

(a) The installment of Interim Rental shall be paid to the Lessor by wire transfer to the office of the Lessor at the address thereof provided for payments in Section 20.2 hereof; provided that in the event either the Lessor, the Note Purchasers or the Security Trustee shall notify the Lessee in writing, with a copy of said notice sent to the Lessor, that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee;

(b) The portion of any installment of Fixed Rental resulting from an increase in the amount thereof pursuant to Section 2.3 hereof shall be paid in full to the Lessor by wire transfer to the office of the Lessor at the address provided for payments in Section 20.2 hereof;

(c) Each installment of Fixed Rental shall be paid to the Lessor by wire transfer to the office of the Lessor at the address thereof provided for payments in Section 20.2 hereof; provided that in the event either the Lessor, the Note Purchasers or the Security Trustee shall notify the Lessee in writing, with a copy of said notice sent to the Lessor, that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided further that in the event such notice shall direct the Lessee to divide such installment into not more than two portions, in addition to the portion referred to in Section 2.4(b) hereof, and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(d) The entire amount of any payment of Casualty Value pursuant to Section 11 hereof shall be paid to the Lessor by a check drawn on a bank located in the continental United States (identifying the same as a payment of Casualty Value relating to Burlington Northern Equipment Trust No. 82-1) and forwarded to the Lessor in the manner provided for notice in Section 20.2 hereof; provided that in the event either the Lessor, the Note Purchasers or the Security Trustee shall notify the Lessee in writing, with a copy of said notice sent to the Lessor, that the right to receive payment of such Casualty Value shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by such check in the manner

designated in such notice or as otherwise designated from time to time in writing by such notifying party;

(e) The amount of any payment owing to the Lessor or the Trustor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance) and 20.3 hereof shall be made directly to the party to receive the same without regard to the assignment of this Lease pursuant to Section 16 hereof;

(f) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 19 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount; and

(g) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such payment has previously been made by the Lessor or its assignee, in which case the Lessee shall reimburse the Lessor or its assignee, as the case may be, directly for such payment.

The Lessee agrees that it will make payments due hereunder by wire transfer where specified above at the opening of business on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made, and where not so specified, such payment shall be made by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been previously advised in writing.

2.5. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Fixed and Supplemental Rental, Casualty Value, indemnity and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, the Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of the Lessee against the Lessor or the Trustor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof; nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor or the Trustor to enter into this Lease or the transaction contemplated hereby, the bankruptcy or insolvency of any person, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 16 hereof for any reason whatsoever. Nothing contained in this Section 2.5 is intended, or shall be construed to, prohibit the Lessee from setting off the amount of any Interim Rental which it pays under this Lease against its obligation to pay Fixed Rental in accordance with the final paragraph of Section 2.1(a) hereof.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate seven years and six months following the Term Lease Commencement Date provided for in Section 2.2 hereof.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its identification number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

“Leased and Subject to a recorded Security Interest”

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked thereon (and on both sides thereof for Items operating over railroad tracks) and will replace promptly any such names and word or words which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identifying number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new identifying numbers to be substituted therefor, which consent and statement previously shall have been delivered to the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad maintenance of way equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSEE LEASES THE EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY THE LESSOR OR THE TRUSTOR, EACH OF WHICH EXPRESSLY DISCLAIMS ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. THE LESSOR HEREBY APPOINTS AND CONSTITUTES THE LESSEE ITS AGENT AND ATTORNEY-IN-FACT DURING THE TERM OF THIS LEASE TO ASSERT AND ENFORCE, FROM TIME TO TIME, IN THE NAME AND FOR THE ACCOUNT OF THE LESSOR AND THE LESSEE, AS THEIR INTERESTS MAY APPEAR, BUT IN ALL CASES AT THE SOLE COST AND EXPENSE OF THE

LESSEE, WHATEVER CLAIMS AND RIGHTS THE LESSOR MAY HAVE AS OWNER OF THE EQUIPMENT AGAINST THE MANUFACTURERS, PROVIDED, HOWEVER, THAT IF AT ANY TIME AN EVENT OF DEFAULT SHALL HAVE OCCURRED AND BE CONTINUING, SUCH APPOINTMENT SHALL CEASE AND THE LESSOR MAY ASSERT AND ENFORCE, AT THE LESSEE'S SOLE COST AND EXPENSE, SUCH CLAIMS AND RIGHTS. NEITHER THE LESSOR NOR THE TRUSTOR SHALL HAVE ANY RESPONSIBILITY OR LIABILITY TO THE LESSEE OR ANY OTHER PERSON WITH RESPECT TO ANY OF THE FOLLOWING: (I) ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY ANY ITEM OF EQUIPMENT OR BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY OTHER CIRCUMSTANCES IN CONNECTION THEREWITH; (II) THE USE, OPERATION OR PERFORMANCE OF ANY ITEM OF EQUIPMENT OR ANY RISKS RELATING THERETO; (III) ANY INTERRUPTION OF SERVICE, LOSS OF BUSINESS OR ANTICIPATED PROFITS OR CONSEQUENTIAL DAMAGES; OR (IV) THE DELIVERY, OPERATION, SERVICING, MAINTENANCE, REPAIR, IMPROVEMENT OR REPLACEMENT OF ANY ITEM OF EQUIPMENT.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. Whether or not any of the transactions contemplated hereby are consummated, the Lessee assumes liability for and shall indemnify and save harmless the Lessor in both its individual and fiduciary capacities, the Trustor, the Note Purchasers and the Security Trustee and their respective agents, successors and assigns from and against:

(a) any and all loss or damage to the Equipment, usual wear and tear excepted; and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) (collectively, "Liabilities") which may be incurred in any manner by or for the account of any of them (i) relating to any Item of Equipment or any part thereof, including, without limitation, the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage of any Item of Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessee or any indemnified party), (ii) by reason or as the result of any act or omission (whether negligent or otherwise) of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent, trademark or copyright infringements, (iv) as a result of claims for negligence or strict liability in tort, or (v) relating to any of the documents or transactions contemplated by the Participation Agreement or the issuance of the Notes, except any liability arising out of Trustor's failure to pay its obligations under Section 2.6 of the Participation Agreement.

The indemnities and assumptions of liabilities set forth in this Section 6.1 do not guarantee a residual value in the Equipment nor do they guarantee the payment of the Notes or any interest accrued thereon.

In the event that the Lessee is required to make any payment under this Section 6 the Lessee shall pay such indemnified person an amount which, after deduction of all taxes required to be paid by such indemnified person in respect of the receipt thereof under the laws of the United States or any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deduction, credits or allowances in respect of the payment of the expense indemnified against and of any other such taxes as determined in the sole discretion of the indemnified person), shall be equal to the amount of such payment.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment,

whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii), (iv) or (v) of subsection (b) of Section 6.1 hereof, which arise from events which occur after the termination of this Lease and the return of the Equipment to Lessor pursuant to this Lease, except for any such events occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled (a) in any proceeding that involves solely a claim for one or more Liabilities, to assume responsibility for and control thereof, (b) in any judicial proceeding involving a claim for one or more Liabilities and other claims related or unrelated to the transactions contemplated hereby to assume responsibility for and control of such claim for a Liability to the extent that the same may be and is severed from such other claims (and such indemnitee shall use reasonable efforts to obtain such severance unless, in the opinion of counsel for such indemnitee, such severance and assumption of responsibility and control by Lessee has a reasonable possibility of adversely affecting the resolution of such other claims) or (c) in any other case, to be consulted in any such other judicial proceeding subject to the responsibility and control of the indemnitee. Notwithstanding any of the foregoing to the contrary, the Lessee shall not be entitled to assume the responsibility for and control of any such proceedings if (1) the Liabilities involved are less than \$25,000 in the aggregate, (2) an Event of Default shall have occurred and be continuing, (3) such proceeding will involve any danger of the sale, forfeiture or loss of any Equipment or (4) such Liability relates in any way to the business of such indemnitee other than the ownership, leasing and financing of the Equipment. The indemnified party (the "Indemnitee") may participate at its own expense in any judicial proceeding controlled by the Lessee pursuant to the preceding provisions.

The Indemnitee shall supply the Lessee with such information requested by the Lessee as in the reasonable opinion of counsel to such Indemnitee is necessary or advisable for Lessee to control or participate in any proceeding to the extent permitted by this Section. Unless Lessee is excluded from control of a judicial proceeding involving an Indemnitee pursuant to the preceding paragraph, such Indemnitee shall not enter into a settlement or other compromise with respect to any Liability without prior written consent of the Lessee, which consent shall not be unreasonably withheld or delayed, unless such Indemnitee waives its right to be indemnified with respect to such Liability under this Section.

SECTION 7. RULES, LAWS AND REGULATIONS.

At all times the same shall be applicable to any Item of Equipment, the Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use and maintenance of each Item of Equipment subject to this Lease. In the event the Lessee shall be required to make any alteration, replacement, addition or modification to any Item of Equipment (the "Alterations") in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such Alterations at its own expense and title thereto shall be immediately vested in the Lessor. The Lessee agrees that, within 30 days after the close of any calendar quarter in which the Lessee has made Alterations, the Lessee will give written notice thereof to the Lessor describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Item of Equipment and the date or dates when made.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense,

maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange in accordance with the applicable interchange rules, if any. Except as required by the provisions of Section 7 hereof, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor and any assignee pursuant to Section 16 hereof, which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense and restore the Equipment to its original condition.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment other than any liens or charges which the Lessor is obligated to discharge pursuant to Section 2.2 of the Security Agreement or which the Trustor is obligated to discharge pursuant to Section 8 of the Participation Agreement (the "Lessor's Liens"), but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the security interest or other rights of any assignee under Section 16 hereof in and to the Equipment. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING; PAYMENT OF STATE AND LOCAL TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease and the Security Agreement (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) to be duly filed, recorded or deposited in such public offices within or without the United States as the Lessor or any assignee under Section 16 hereof, may reasonably request for the protection of Lessor's title or the security interest of such assignee to the satisfaction of the Lessor's or such assignee's counsel and will furnish the Lessor and such assignee proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor or such assignee, for the purpose of protecting the Lessor's title to, or such assignee's security interest in, any Item of Equipment to the satisfaction of the Lessor's or such assignee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor and such assignee proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and re-depositing of any such instruments or incident to the taking of such action.

10.2. Taxes Against Lessor or Equipment. Whether or not any of the transactions contemplated hereby are consummated, Lessee shall pay, and shall indemnify, protect, save and keep harmless the Lessor in both its individual and fiduciary capacities, the Trustor, the Note Purchasers, the Security Trustee or any other assignee under Section 16 hereof (referred to collectively, together with their

respective successors and assigns, in this Section 10.2 as "Indemnitees" and individually as "Indemnitee") from and against, any and all fees, taxes (including, without limitation, income, franchise, excise, sales, use, occupational, capital, value-added, property and stamp taxes and taxes imposed in respect of items of tax preference), levies, assessments, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon (all of the foregoing being herein collectively called "Impositions") imposed against such Indemnitee, the Lessee or the equipment or any part thereof by any Federal, state or local government or taxing authority or by any foreign government, foreign governmental subdivision or other foreign taxing authority (i) upon or with respect to the equipment or any part thereof or any interest in any thereof, or (ii) upon or with respect to the manufacture, acquisition, construction, installation, purchase, delivery, ownership, lease, sublease, possession, rental, use, operation, transportation, return, sale, replacement, storage or disposition of the equipment or any part thereof, or (iii) upon or with respect to the rentals, receipts, earnings or gains arising from the equipment or any part thereof or the income or proceeds with respect to the equipment, including, without limitation, principal, interest and other amounts payable on the Notes, or (iv) upon or with respect to this Lease or any other Operative Agreement (as such term is defined in the Participation Agreement) including the performance of any of the transactions contemplated hereby or thereby, or the issuance, acquisition or transfer of the Notes or the establishment of the Trust or the beneficial interest of the Trustor therein, excluding, however: (1) Impositions which are based on, or measured by, the net income of any Indemnitee to the extent imposed by the United States of America; (2) Impositions which are based on, or measured by, the net income of any Indemnitee to the extent imposed by the state, city or municipality in which the principal office of such Indemnitee is located or by any political subdivision of such state, city or municipality; (3) Impositions which are based on, or measured by, the net income of any Indemnitee to the extent imposed by a state, city or municipality in which such Indemnitee is subject to such net income taxes for reasons other than the ownership or leasing of property located in such jurisdiction; (4) Impositions imposed on or for the account of any Indemnitee that result from the gross negligence or willful misconduct of such Indemnitee; (5) Impositions which are imposed with respect to any period, or with respect to any act, occurring after the termination of this Lease and the return of the equipment to the Lessor in accordance with Section 13 of this Lease (unless such termination shall have occurred as a result of this lease having been declared in default pursuant to Section 14 hereof); (6) Impositions imposed as a direct result of a voluntary transfer or other voluntary disposition by any Indemnitee (other than as a result of an Event of Default hereunder), or any transfer or disposition by an Indemnitee resulting from the bankruptcy or other proceeding for the relief of debtors in which such Indemnitee is the debtor, whether voluntary or involuntary, of any interest in any Item of Equipment or interest in rentals under this Lease; (7) Impositions imposed by any foreign country or subdivision thereof incurred as a result of the Indemnitee being taxed by such foreign country or subdivision thereof on its worldwide income without regard to the transaction contemplated by its lease, whether or not the Indemnitee is entitled to a credit against its United States Federal income taxes for the amount imposed on it; and (8) Impositions imposed by any foreign government or taxing authority or governmental subdivision of a foreign country to the extent utilized by an Indemnitee as a credit against United States Federal income taxes otherwise payable by such Indemnitee, assuming for this purpose that such Indemnitee, utilizes (A) first, all foreign taxes (including foreign taxes which are carried over to the taxable year for which a determination is being made) other than those described in the succeeding clause (B), and (B) then, on a *pro rata* basis, all foreign taxes (including foreign taxes which are carried over to the taxable year for which a determination is being made) with respect to which such Indemnitee is entitled to obtain indemnification pursuant to an indemnification provision contained in any lease or participation or other tax indemnity agreement relating to a lease (including this Agreement), *provided*, that if the utilization by such Indemnitee of foreign taxes otherwise payable by Lessee as a credit against such Indemnitee's United States Federal income taxes later results in the expiration of any foreign tax credit carryovers or carrybacks of such Indemnitee that would not otherwise have expired, then the amount of such carryovers or carrybacks shall be treated as Impositions to which this Section 10.2

shall apply, *provided, further, however*, that all determinations as to the utilization of Impositions as credit and as to whether Impositions are to be excluded from the Lessee's indemnity contained in this Section 10.2 pursuant to this clause (8) shall be made by such Indemnitee, which determinations shall be conclusive and binding on Lessee if such Indemnitee shall certify in writing to Lessee that such determinations were made in good-faith compliance with the provisions in this clause (8); *provided, however*, that none of such exclusions shall apply to Impositions imposed on the trust established by the Trust Agreement, the Trust Estate (as defined in the Trust Agreement) or the Trustee in its capacity as Lessor; *provided, further, however*, that Lessee agrees to pay any such Impositions referred to in the foregoing clauses (1) through (8) which are in substitution for or relieve Lessee from any Impositions or indemnity therefor which Lessee would otherwise be obligated to pay under the terms of this Section 10.2.

With respect to any payment or indemnity under this Section 10.2, such payment or indemnity shall include any amount necessary to hold any Indemnitee receiving such payment harmless on a net after-tax basis (taking into account any tax benefit or detriment realized by such Indemnitee as a result of such payment) from all taxes required to be paid by such Indemnitee with respect to such payment or indemnity under the laws of any Federal, state or local government or taxing authority in the United States of America. In case any report or return is required to be filed with respect to any obligation of Lessee under this Section 10.2 or arising out of this Section 10.2, Lessee will either make such report or return in such manner as will show the ownership of the equipment in Lessor or will notify Lessor of such requirement and make such report or return in such manner as shall be satisfactory to Lessor.

Upon the commencement of any proceeding (including the written claim or written threat of any proceeding) against an Indemnitee involving one or more Impositions, such Indemnitee shall promptly, upon receiving written notice thereof, give notice of such commencement to Lessee. The failure by such Indemnitee so to notify Lessee shall not relieve Lessee of any liability that it may have to such Indemnitee hereunder, but any payment by Lessee to an Indemnitee pursuant to this Section 10.2 shall not be deemed to constitute a waiver of any right or remedy which Lessee may have against such Indemnitee as a result of the failure by such Indemnitee to give Lessee notice of a proceeding as provided in the first sentence of this paragraph, *provided* that Lessee shall have no such right or remedy unless such failure of such Indemnitee to give notice of such proceedings caused Lessee to be unable to contest the Imposition indemnified against. Lessee shall be entitled (a) in any proceeding that involves solely a claim for one or more Impositions, to assume responsibility for and control thereof, (b) in any proceeding involving a claim for one or more Impositions and other claims related or unrelated to the transactions contemplated by the Operative Agreements, to assume responsibility for and control of such claim for an Imposition to the extent that the same may be and is severed from such other claims (and such Indemnitee shall use reasonable efforts to obtain such severance unless, in the opinion of counsel for such Indemnitee, such severance and assumption of responsibility and control by Lessee has a reasonable possibility of adversely affecting the resolution of such other claims) or (c) in any other case, to be consulted by such Indemnitee with respect to proceedings subject to the control of such Indemnitee. Notwithstanding any of the foregoing to the contrary, Lessee shall not be entitled to assume the responsibility for and control of any such judicial proceedings if (1) the Impositions involved are less than \$25,000 in the aggregate, (2) an Event of Default under Section 14 hereof or any event which with the lapse of time or the giving of notice or both would become such an Event of Default ("Default") shall have occurred and be continuing, (3) such proceedings will involve any reasonable danger of the sale, forfeiture or loss of the equipment or any part thereof, or (4) such Imposition relates in any way to the business of any Indemnitee other than the ownership and leasing of the Equipment, (5) the claims, in the opinion of independent counsel for such Indemnitee reasonably satisfactory to Lessee, have reasonable possibility of otherwise compromising or jeopardizing any substantial interests of the Indemnitee, or (6) Lessee shall not have furnished the Indemnitee with an opinion of independent counsel reasonably satisfactory to such

Indemnatee to the effect that there exists a meritorious basis for contesting that Imposition. The Indemnatee may participate at its own expense in any proceeding controlled by Lessee pursuant to the preceding provisions.

The Indemnatee shall supply Lessee with such information requested by Lessee as in the reasonable opinion of counsel to such Indemnatee is necessary or advisable for the Lessee to control or participate in any proceeding to the extent permitted by this Section 10.2. Unless Lessee is excluded from control of a proceeding involving an Indemnatee pursuant to the preceding paragraph or a Default or Event of Default has occurred and is continuing, such Indemnatee shall not enter into a settlement or other compromise with respect to any Imposition without prior written consent of Lessee, which consent shall not be unreasonably withheld or delayed, unless such Indemnatee waives its right to be indemnified with respect to such Imposition under this Section 10.2.

If an Indemnatee shall obtain a repayment of any Imposition paid by the Lessee pursuant to this Section 10.2, such Indemnatee shall promptly pay to Lessee the amount of such repayment, together with any interest (other than interest for the period, if any, after such Imposition was paid by such Indemnatee until such Imposition was paid or reimbursed by Lessee) received by such Indemnatee on account of such repayment.

The provisions of this Section 10.2 shall survive the expiration or termination of this Lease and the other Operative Agreements.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee covenants and agrees that it will at all times while this Lease is in effect, at its own expense, cause to be carried and maintained for each Item of Equipment from time to time subject to this Lease, property and public liability insurance in such amounts and against such risks and with such insurers as shall be satisfactory to the Lessor and any assignee under Section 16 hereof; *provided*, that, in the case of property insurance, the Lessee will be permitted to self-insure to the extent it self-insures equipment similar in nature to the Equipment which it owns or leases, but in any event the Lessee shall maintain in effect such property insurance as is required by prudent industry practice in respect of equipment similar in nature to the Equipment. All such property insurance policies shall provide that the Lessor, the Note Purchasers, the Trustor and the Lessee shall be named assureds and that, so long as no Event of Default has occurred and is continuing, losses shall be adjusted with the Lessee and that the proceeds thereof shall be payable to the Lessor; provided that so long as the principal of or interest on any Note shall remain unpaid, such policies shall provide that the losses, if any, shall be payable to any assignee under Section 16 hereof under a standard mortgage loss payable clause satisfactory to the Lessor and such assignee. All proceeds of insurance received by the Lessor and such assignee with respect to any Items of Equipment not suffering a Casualty Occurrence (as hereinafter defined) shall be paid to the Lessee upon proof satisfactory to the Lessor and such assignee that any damage to any Item with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Lessor and such assignee with respect to a Casualty Occurrence shall be credited toward the payment required by this Section 11 with respect to such Casualty Occurrence.

The Lessee covenants and agrees that it will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained public liability insurance in amounts and against risks required by prudent industry practice in respect of equipment similar in nature to the Equipment and in any event comparable to insurance maintained by the Lessee in respect of equipment which it owns or leases which is similar in nature to the Equipment. The Lessee represents and agrees that all policies of insurance carried pursuant to the first sentence of this paragraph will name the Lessor in both its individual and fiduciary capacities, the Trustor, the Lessee and any assignee under Section 16 hereof as assureds and that the coverage provided by all such policies, as in effect and satisfactorily

evidenced to the Lessor and the Trustor on the First Delivery Date under the Participation Agreement, shall not be cancelled, reduced or otherwise materially changed without at least 60 days' prior written notice from the Lessee to the Lessor, the Trustor and the Security Trustee.

All policies of insurance to be carried pursuant to this Section 11.1 shall provide that the same shall not be cancelled or materially changed without at least 30 days' prior written notice to each insured named therein. No such policy shall provide that the coverage thereunder for the benefit of the Lessor, the Trustor or any assignee under Section 16 hereof shall be restricted, impaired or invalidated by any breach or violation by the Lessee of warranties, declarations or conditions contained in such policies and the Lessee shall, upon the request of the Lessor or such assignee (but not more frequently than annually), furnish either a certificate of the insurer to such effect or a certificate of an officer of the Lessee or an opinion of counsel of the Lessee that no such policy contains such provisions. The Lessee covenants and agrees that it will throughout the term hereof furnish to the Lessor and such assignee certificates of insurers or other satisfactory evidence of the maintenance of the insurance required by this Section 11.1

11.2. Duty of Lessee to Notify. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or title thereto shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease or use thereof shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease for a stated period which exceeds the then remaining term of this Lease (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor, the Trustor and any assignee thereof pursuant to Section 16 hereof in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Item in accordance with the terms of Section 11.3 hereof.

11.3. Sum Payable for Casualty Loss. The Lessee, on the next succeeding rent payment date following its notice of a Casualty Occurrence with respect to any Item or Items of Equipment, shall pay to the Lessor the Interim or Fixed Rental installment due on such payment date for such Item of Equipment plus any rentals or other sums due on or prior to such date then remaining unpaid plus a sum equal to the Casualty Value of such Item of Equipment as of the next succeeding rent payment date following the date of occurrence of such Casualty Occurrence.

11.4. Rent Termination. Upon (and not until) payment of all sums required to be paid pursuant to Section 11.3 hereof in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, the Lessee may, to the extent the Casualty Value with respect thereto has been paid, retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the next succeeding rent payment date following the date of occurrence of such Casualty Occurrence (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price (as defined in the Participation Agreement) of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such rental payment date.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and all rental installments and other sums due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay all installments of rental and other sums shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before the first May 1 which occurs more than four months following the date of this Lease and each May 1 thereafter, the Lessee will furnish to the Lessor, the Trustor, the Note Purchasers, the Security Trustee and any other assignee pursuant to Section 16 hereof an accurate statement as of the preceding December 31 (a) showing the amount, description and identifying numbers of the Items of Equipment then leased hereunder, and the amount, description and road numbers of any units of railroad rolling stock, if any, to which such Items are attached, the amount, description and identifying numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor, the Trustor, the Note Purchasers, the Security Trustee and any other assignee pursuant to Section 16 hereof each shall have the right, at their respective sole cost and expense, by their respective authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Equipment during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease or any renewal thereof with respect to any Item of Equipment, the Lessee will, at its own cost and expense, deliver possession of such Item of Equipment to the Lessor at such reasonable storage place on or adjacent to railroad lines operated by the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment at such place for a period not exceeding 90 days, which period shall begin when 90% of the Items then subject to this Lease will have been delivered to the point of storage, and transport the same at any time within such 90-day period to any reasonable place on any railroad lines operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; provided that the obligation of the Lessee to so transport shall be limited to only one such movement in respect of any

such Item of Equipment. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Item, to inspect the same; provided, however, that the Lessee shall be liable for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser or lessee, the rights of inspection granted under this sentence, except in the case of negligence of the Lessor or any prospective purchaser or lessee of any Item or any of its employees or agents. During any such storage period the Lessee shall maintain insurance of the scope and nature required by Section 11.1 hereof and maintain the Items of Equipment in such manner as the Lessee normally maintains similar equipment owned or leased by it in similar storage circumstances. All amounts, if any, earned in respect of the Equipment shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the expiration of this Lease, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Fair Rental Value (determined in the manner provided in Section 18 hereof) for such Item of Equipment for each such day exceeds the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence. The assembling, 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 the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment. Nothing contained herein shall be deemed a waiver by Lessor of any right of action for damages on account of Lessee's failure to perform its obligations hereunder.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or Casualty Value provided in Section 2 or 11 hereof and such default shall continue for five days;

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof;

(c) The Lessee shall at any time fail to maintain insurance in the manner required by Section 11.1 hereof;

(d) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after the earlier of (i) any responsible officer of the Lessee shall have acquired knowledge of such default in such observance or performance, or (ii) written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(e) Any representation or warranty made by the Lessee herein or in the Participation Agreement, except those representations and warranties set forth in Section 7(c) thereof, or the Purchase Order Assignment or in any statement or certificate furnished to the Lessor, the Trustor, the Note Purchasers or the Security Trustee pursuant to or in connection with this Lease, the Participation Agreement or the Purchase Order Assignment is untrue in any material respect as of the date of issuance or making thereof;

(f) Any proceedings other than pursuant to the Bankruptcy Reform Act of 1978 shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any

readjustments of the obligations of the Lessee hereunder), and such proceedings shall not have been dismissed, nullified, stayed or otherwise rendered ineffective;

(g) A petition in voluntary bankruptcy or seeking relief under any provision of the Bankruptcy Reform Act of 1978 or any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect is filed by the Lessee, or the Lessee consents to the filing of any petition against it under any such law; or

(h) A petition for reorganization under the Bankruptcy Reform Act of 1978, as now constituted or as hereafter amended, shall be filed against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by such trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor or, in the event this Lease shall be assigned to an assignee pursuant to Section 16 hereof, such assignee, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including reasonable attorneys' fees; and/or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever, but the Lessor shall nevertheless have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Item of Equipment which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value (as reasonably estimated by Lessor) of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess of any of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Value thereof at such time; provided, however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (i) with respect

thereto may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay rental, in addition thereto, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of Section 14.2 above, the Fair Market Value or, as the case may be the Fair Rental Value for any Item of Equipment shall be determined by Lessor as provided in the definitions of such terms in Section 18.4 hereof (except that the determination shall be made on an "As-Is", "Where-Is" basis); provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item; provided, further, that if Lessor is unable to recover possession of any Item of Equipment, its Fair Market Value and Fair Rental Value shall be zero.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor, the Trustor, the Note Purchaser and the Security Trustee, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of Section 14.1(d) hereof and this Section 14.5 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor and during such period of storage the Lessee shall continue to maintain the insurance required by Section 11.1 hereof; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing.

All amounts earned in respect of the Equipment after the date of termination of this Lease shall belong to the Lessor or in the event this Lease has been assigned pursuant to Section 16 hereof, to such assignee, and, if received by the Lessee, shall be promptly turned over to the Lessor, or in the case of such assignment, to such assignee. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor or, in the case of such assignment, to such assignee for each day thereafter an amount equal to 0.060672% of the Purchase Price of such Item of Equipment. Nothing contained herein shall be deemed a waiver by Lessor of any right of action for damages on account of Lessee's failure to perform its obligations hereunder.

15.2. Specific Performance. The assembling, 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, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be

exercised by the Lessor (except those rights, privileges and remedies relating to amounts payable to the Lessor or the Trustor pursuant to Sections 6, 10.2, 11.1 [with respect to public liability insurance] and 20.2 hereof which shall remain enforceable by the Lessor and/or the Trustor, as the case may be), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, said assignee, the Trustor and the Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor.

It is understood and agreed that the right, title and interest of any such assignee in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, sublease or otherwise part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof on or adjacent to the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee and for such other uses as are normally made by the Lessee of maintenance of way equipment, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Item of Equipment to service (including, without limitation, the regular operation or maintenance thereof) outside the continental United States. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees shall have duly assumed the obligations of the Lessee hereunder and that they will not, upon the effectiveness of such merger or consolidation or acquisition of properties and the assumption of such obligations, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

SECTION 18. LESSEE PURCHASE OPTION AND RENEWAL OPTIONS.

18.1. Purchase Option. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall have the right to purchase all but not less than all of the Items of

Equipment then leased hereunder at the expiration of the original term or of any renewal term pursuant to Section 18.2 hereof at a price equal to the Fair Market Value of such Items of Equipment (as hereinafter defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the term of its election to exercise the purchase option provided for in this Section, which notice shall be irrevocable. Payment of the option price shall be made at the place of payment specified in Section 2 hereof in funds there current against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and containing a warranty against Lessor's Liens. The Lessor shall not be required to make any other representation or warranty as to the condition of the Equipment or any other matters, and may specifically disclaim any such representations or warranties.

18.2. Renewal Options. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for up to three consecutive renewal terms of one year each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the Fixed Rental payable for and during each such renewal term shall be an amount equal to the Fair Market Rental for the Items of Equipment, all such Fixed Rentals shall be payable semiannually in arrears, and the Casualty Value payable during any such renewal term shall be equal to the amount set forth in Schedule C hereto. Each such renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 180 days prior to commencement of such renewal term, which notice shall be irrevocable.

18.3. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

18.4. Determination of Fair Market Value or Fair Rental Value. The Fair Market Value or Fair Rental Value, as the case may be, of the Items of Equipment shall be determined on the basis of, and shall be equal in amount to the value which would obtain in an arm's-length transaction between an informed and willing lessee or buyer, as the case may be (other than a lessee or buyer, as the case may be, currently in possession) and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be, and any such determination shall be made on the assumption that each Item of Equipment has been maintained throughout the term of this Lease in accordance with the obligations of the Lessee set forth in Section 8 hereof. If on or before 90 days prior to the expiration of the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or the Fair Market Value, as the case may be, of the Items of Equipment, such value shall be determined in accordance with the foregoing definitions, respectively, by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 days after such notice is given, each party shall appoint an independent appraiser within 20 days after such notice is given, and the two appraisers so appointed shall within 25 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine such value of the Items of Equipment within 60 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of such value of the single appraiser appointed shall be final.

If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as such value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining the Fair Rental Value and/or Fair Market Value, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding any nonpayment of rent or any other amount due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 17.50% per annum (or the lawful rate, whichever is less) on the overdue rentals or other amounts payable hereunder and amounts expended by the Lessor on behalf of the Lessee for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.1. Limitations of Liability. It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by The Bank of New York, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by The Bank of New York or the Trustor, or for the purpose or with the intention of binding The Bank of New York or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease is executed and delivered by The Bank of New York solely in the exercise of the powers expressly conferred upon The Bank of New York as trustee under the Trust Agreement, that actions to be taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Bank of New York or the Trustor, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, The Bank of New York or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person now or hereafter claiming by, through or under the Lessee, and that so far as The Bank of New York or the Trustor, individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease; provided that nothing in this Section 20.1 shall be construed to limit in scope or substance those representations and warranties of The Bank of New York in its individual capacity set forth in the Participation Agreement. The term "Lessor" as used in this Lease shall include any trustee succeeding The Bank of New York as trustee under the Trust Agreement or the Trustor if the trust created thereby is revoked. Any obligation of the Lessor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by the Lessee in its corporate capacity

and that nothing herein contained shall be construed as creating any liability on any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Lessee to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessor and the Trustor and by each and every person now or hereafter claiming by, through or under the Lessor or the Trustor.

20.2. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor:	The Bank of New York 21 West Street New York, New York 10015 Attention: Corporate Trust Trustee Administration with a copy to: Litton Equity Investments, Inc. 600 Summer Street P. O. Box 601 Stamford, Connecticut 06904 Attention: Vice President, Special Financings with all payments to the Lessor to be made by wire transfer of immediately available funds to: State National Bank of Connecticut 1 Atlantic Street Stamford, Connecticut for deposit to Litton Equity Investments, Inc.'s operating account, Account No. 1-37976-1, with copies of such wire transfer advice to be furnished as provided above for notices to the Lessor
If to the Trustor:	Litton Equity Investments, Inc. 600 Summer Street P. O. Box 601 Stamford, Connecticut 06904 Attention: Vice President, Special Financings
If to any Note Purchaser:	At its address provided in Schedule 1 to the Participation Agreement
If to the Lessee:	Burlington Northern Railroad Company c/o Burlington Northern Inc. 1111 Third Avenue Seattle, Washington 98101 Attention: Vice President and Treasurer

or addressed to any such party at such other address as such party shall hereafter furnish to such other parties in writing.

20.3. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, either the Lessor or, in the case of an assignment by the Lessor pursuant to Section 16 hereof, the assignee thereunder may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so

made by any such party and all cost and expense (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest at the rate of 17.50% per annum.

20.4. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

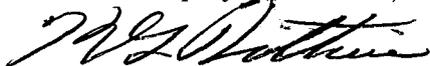
20.5. Law Governing. This Lease shall be construed in accordance with the laws of the State of Minnesota; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

20.6. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

20.7. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of February 15, 1982 for the benefit of Litton Equity Investments, Inc.

By 
Assistant Vice President

[CORPORATE SEAL]

ATTEST:


Assistant Secretary

BURLINGTON NORTHERN RAILROAD COMPANY

By _____
Vice President

[CORPORATE SEAL]

ATTEST:

Assistant Secretary

This Lease and certain of the sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, Mercantile-Safe Deposit and Trust Company, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of February 15, 1982 from The Bank of New York, as Trustee, to said Security Trustee. Information concerning such security interest may be obtained from said Security Trustee at its principal office at Two Hopkins Plaza, Baltimore, Maryland 21203, Attention: Corporate Trust Department.

STATE OF NEW YORK }
COUNTY OF NEW YORK } SS

On this / 5 day of March, 1982, before me personally appeared **K. G. Pittius**, to me personally known, who being by me duly sworn, says that he is an Assistant Vice President of THE BANK OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

William J. McGann

Notary Public

[NOTARIAL SEAL]

My commission expires:

3-30-82

WILLIAM J. MC GANN
Notary Public, State of New York
Notary Public No. 24-7826025
Qualified in Kings County
Qualified in New York County
Cert. Filed
Commission Expires March 30, 1982

STATE OF WASHINGTON }
COUNTY OF KING } SS

On this day of March, 1982, before me personally appeared R. C. Burton, Jr., to me personally known, who being by me duly sworn, says that he is a Vice President of BURLINGTON NORTHERN RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires:

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
L Z Company Inc. 1881 No. Rice Street St. Paul, MN 55113	Massey Ferguson Model MF30 Industrial Tractor	6	\$ 19,881	\$ 119,286	X32-0329-0334
	Massey Ferguson Model MF408 Backhoe Loader	5	27,172	135,860	X32-0335-3339
Rexnord Inc. c/o Russel Railway Supply Co. 4940 Viking Drive Minneapolis, MN 55435	Automatic Spike Hammer	4	81,330	325,320	X45-0219-0222
	Nordberg Model CZ Adzer	8	28,105	224,840	X3 -0104-0111
	Nordberg Model "B" Hydro-Spiker	3	71,400	214,200	X44-056-058
	Nordberg Model "BP" Mechanical Spike Puller	10	27,430	274,300	X47-0161-0170
	Nordberg Model "KT" Tie Drill	4	10,695	42,780	X23-0095-0098
Borchert Ingersoll Inc. 3275 Dodd Road P. O. Box 43037 St. Paul, MN 55164	Front-end Loader Terex Model 72-31B	2	94,260	188,520	X24-0157-0158
	Model FGTX-30FH Low Boy Trailer	1	45,606	45,606	X72-0024
	Front-end Loader Terex Model 72-61	1	149,263	149,263	X24-0159
Transportation Products Co. 80 E. Jackson Boulevard Room 307 Chicago, IL 60604	Little Giant Model 32 Hy-Rail Truck Crane	1	155,982	155,982	X15-0055
	Ohio Model DE-400 Locomotive Crane	1	477,889	477,889	975432
	Ohio Model DE-400 Locomotive Crane with Pile Driver	1	634,332	634,332	975431
Air Power Equipment Corp. 2631 University Avenue St. Paul, MN 55114	Ing. Rand Model P-250-W-D 250CFM Air Compressor	4	14,139	56,556	X2-4510-4513
	Ing. Rand Model 175 Air Compressor	6	8,128	48,768	X2-3609-3614
	Ing. Rand Model 335 Air Compressor	1	18,127	18,127	X2-5529
Fairmont Railway Motors 386 No. Wabasha Suite 550 St. Paul, MN 55102	Fairmont Model W115-B1 Tie Pusher	1	57,299	57,299	X63-0029
	Fairmont Model W-113 Dual Spike Puller	2	19,597	39,194	X47-0159-0160
	Fairmont Model W-86-F Rail Lifter	12	6,825	81,900	X38-0067-0078
	Fairmont Model W-84 Hydraulic Spike Puller	11	7,078	77,858	X47-0148-0158
	Fairmont Model W-968 Spike Setter-Driver	2	72,314	144,628	X44-0066-0067
	Fairmont Model W-114-C Tie Shear	4	68,472	273,888	X40-0055-0058
	Fairmont Model W-71 Series "B" Tie Sprayer	2	6,581	13,162	X66-0057-0058
	Fairmont Model W-87 Series "E" Scarifier	2	48,475	96,950	X42-0059-0060
Donald J. Hogan & Co. Portec Inc. RMC Div. 327 S. LaSalle Street Chicago, IL 60604	Portec Model D Hydraulic Tie Spiker	5	73,718	368,590	X44-0061-0065
	Portec RMC HD-28 On Track Brush Cutter	3	130,662	391,986	X11-0024-0026
	Portec RMC Model S2 Rail Spiker	8	73,997	591,976	X44-0072-0079
Railway Track Work Co. 2381 Philmont Avenue Bethayres, PA 19006	Railway Track Work Model 2170-A Crane	1	38,494	38,494	X60-0115
	Model 2170-A Tie Handler with Articulated Boom	12	29,700	356,400	X60-0083-0094
	Evans/R.T.W. Tunnel Clearance Truck	1	125,000	125,000	7900
Kershaw Manufacturing Co. c/o D. J. Hogan Co. 327 S. LaSalle Street Chicago, IL 60604	Kershaw Model 39-2 Tie Injector	5	68,320	341,600	X61-0030-0034
	Kershaw Model 24-1 Tie Gang Regulator	7	43,025	301,175	X6-0149-0155
	Kershaw Model 12-2-2 Tie Crane	20	28,950	579,000	X60-0095-0114
	Kershaw Model 11-3 Bridge Crane	1	37,525	37,525	X17-0015
	Kershaw Model 37-1 Tie Saw	2	63,795	127,590	X40-0059-0060
	Kershaw Scarifiers	2	48,475	96,950	X42-0061-0062
	Kershaw Model 16-1 Brush Type Kribber	1	10,740	10,740	X16-0063
	Kershaw Model 26-2-1 Ballast Regulator	17	72,911	1,239,487	X6-0156-0172
Holley Engineering Co. 1872 Cherry Street Montgomery, AL 36107	Holley Model 45 Plate Plucker w/Conveyor	9	15,575	140,175	X85-0004-0012
Nebraska Tractor & Equip Co. 4115 So. 90th Street Omaha, NE 68127	International Harvester Front-end Loader	1	81,783	81,783	X24-0161
Teleweld Inc. c/o Russell Ry. Supply 4940 Viking Drive, Room 540 Minneapolis, MN 55435	Teleweld CWR Rail Heating Car	7	32,100	224,700	X82-0013-0019

(Burlington Northern No. 82-1)

SCHEDULE A (to Equipment Lease)

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
Jackson-Jordan Inc. 1699 E. Woodfield Road Box 95036 Schamburg, FL 60195	Jackson Model 6500 Switch Spot & Production Tamper	1	\$167,500	\$ 167,500	X54-0109
Road Machinery & Supply Co. 4901 W. 80th Street Minneapolis, MN 55437	CMI Load King Model 403 DFP Low Boy Trailer	1	53,451	53,451	X72-0025
T. C. Johnson Co. 521 E. Washington Street Chagrin Falls, OH 44022	Galion Model ML-40 Material Lift	2	103,900	207,800	X24-0164-0165
	Stork Model 27-6 Car Top Material Handler	1	151,237	151,237	X88-0002
Plasser Am. Corp. 2001 Myers Road P. O. Box 5464 Chesapeake, VA 23324	Plasser Model PTT-16 Tie Tamper	3	56,194	168,582	X53-0025-0027
Pettibone Corp. 4700 W. Division Street Chicago, IL 60651	Pettibone Mulliken Model 441-B Swing Loaders	3	114,681	344,043	X24-0161-0163
Galion Mfg. Co. c/o T. C. Johnson Co. Box 433 521 E. Washington Street Chagrin Falls, OH 44022	Galion Model 150F Hydraulic Crane	10	115,970	1,159,700	X16-0030-0039
Racine Railroad Products 1524 Frederick Street P. O. Box 4029 Racine, WI 53404	Racine Anchor Applicator	7	20,670	144,690	X1-0116-0122
Safe Tran Systems Corp. 4650 Main Street, N.E. Minneapolis, MN 55421	Raco Model C Track Wrench	4	5,704	22,816	X9-0287-0290
	Safetrain Duel Spoke Driver Model SD-80	4	9,004	36,016	X45-0219-0222
Western Cullen c/o Russell Railway Supply Co. 4940 Viking Drive Minneapolis, MN 55435	Model 40 Burro Crane	1	223,055	223,055	975069
Tamper 2401 Edmund Road West Columbia, SC 29169	Electromatic Model EASJDG Mark 1 Tamper	6	135,508	813,048	X54-0110-0115
	Model EAS Switch Electromatic Tamper Mark 1	5	88,853	444,265	X56-0100-0104
	Electromatic Model EA Tamper Mark 1	10	77,584	775,840	X53-0028-0037
	TOTAL	<u>254</u>		<u>\$13,661,722</u>	

**CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE**

To: THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of February 15, 1982 for the benefit of Litton Equity Investments, Inc. (the "Lessor")

(the "Manufacturer")

I, a duly appointed and authorized representative of BURLINGTON NORTHERN RAILROAD COMPANY (the "Lessee") under the Equipment Lease dated as of February 15, 1982 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the following Items of Equipment:

TYPE OF EQUIPMENT:

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

IDENTIFYING NUMBER:

I do further certify that the foregoing Items of Equipment are in good order and condition, and appear to conform to the specifications applicable thereto, that the Lessee has no knowledge of any defect in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect, and that each Item has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"Leased and Subject to a Recorded Security Interest."

I do further certify that each Item of Equipment described herein has not been placed in service by the Lessee or any other person.

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer for any warranties it has made with respect to the Equipment.

Dated: _____, 1982

*Inspector and Authorized
Representative of the Lessee*

(Burlington Northern No. 82-1)

**SCHEDULE B
(to Equipment Lease)**

SCHEDULE OF CASUALTY VALUE

The Casualty Value for an Item of Equipment shall mean an amount determined as of the next succeeding rent payment date following the date of occurrence of a Casualty Occurrence with respect to such Item equal to the percent of the Purchase Price of such Item set forth opposite such date in the following schedule (as the same may be increased pursuant to Annex 1 to this Schedule C):

<u>Term Lease Commencement Date or Fixed Rental Payment Date Next Succeeding Casualty Occurrence</u>	<u>Percentage of Purchase Price Payable as Casualty Value</u>
Term Lease Commencement Date	90.6903
February 1, 1983	90.6903
August 1, 1983	88.1141
February 1, 1984	87.2014
August 1, 1984	83.5372
February 1, 1985	82.1139
August 1, 1985	76.8624
February 1, 1986	74.2006
August 1, 1986	67.2977
February 1, 1987	63.1867
August 1, 1987	54.6460
February 1, 1988	49.3404
August 1, 1988	41.0498
February 1, 1989	35.1501
August 1, 1989	26.6681
February 1, 1990 and thereafter	20.0000

(Burlington Northern No. 82-1)

**SCHEDULE C
(to Equipment Lease)**

ANNEX 1 TO SCHEDULE C
(to Equipment Lease)

The percentages set forth in Schedule C have been computed without regard to recapture of the Investment Credit provided for in Section 38 and related sections of the Internal Revenue Code of 1954, as amended. Consequently, the Casualty Value of any Item of Equipment suffering a Casualty Occurrence on or before the Dates set forth hereafter shall be increased by the applicable percentage of the Purchase Price set forth below:

<u>Fixed Rental Payment Date on which Casualty Value is Determined</u>	<u>Percentage of Purchase Price</u>
February 1, 1983	20.0401
August 1, 1983	20.0401
February 1, 1984	16.0321
August 1, 1984	16.0321
February 1, 1985	12.0240
August 1, 1985	12.0240
February 1, 1986	8.0160
August 1, 1986	8.0160
February 1, 1987	4.0080
August 1, 1987	4.0080