

14015  
RECORDATION NO. 14015  
MAY 12 1983 - 10 45 AM

14015-A  
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INTERSTATE COMMERCE COMMISSION

LAW OFFICES

ALVORD AND ALVORD

INTERSTATE COMMERCE COMMISSION

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

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918 SIXTEENTH STREET, N.W.  
WASHINGTON, D. C.  
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\*\* ALSO A MEMBER OF OHIO BAR

TELEPHONE  
AREA CODE 202  
393-2266

May 12, 1983

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

No. MAY 12 1983

Date

Fee \$ 100.00

ICC Washington, D. C.

Dear Ms. Mergenovich:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 are three original counterparts each of 1) a Reconstruction Agreement dated as of April 12, 1983, and 2) a Railroad Equipment Lease Agreement dated as of April 12, 1983, both primary documents as provided in the Rules for the Recordation of Documents (as revised), 49 C.F.R. §1116.

A general description of the railroad equipment prior to reconstruction is set forth in Schedule A attached hereto and made a part hereof. A general description of the railroad equipment subsequent to reconstruction and covered by the Railroad Equipment Lease Agreement will be provided by the filing at a later date of Equipment Schedules thereto.

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

Rebuilder/

Lessee: Bangor and Aroostook Railroad Company  
Northern Maine Junction Park  
R. R. 2  
Bangor, Maine 04401

Owner/

Lessor: American Fletcher Leasing Corporation  
111 Monument Circle, Suite 510  
Indianapolis, Indiana 46277

The undersigned is agent for the Owner/Lessor named

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*Handwritten signature: E. T. Kennedy*

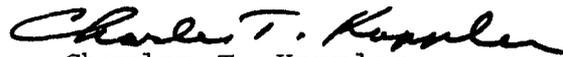
Ms. Agatha L. Mergenovich  
Secretary  
Interstate Commerce Commission  
May 12, 1983  
Page Two

above for the purpose of submitting the enclosed documents for filing and recordation and has knowledge of the matters contained therein.

Kindly return two stamped copies each of the enclosed documents to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

Also enclosed is a check in the amount of \$100 payable to the order of the Interstate Commerce Commission covering the required recordation fees.

Very truly yours,

  
Charles T. Kappler

RECORDATION NO. 14015-A  
FILED 1983

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INTERSTATE COMMERCE COMMISSION

RAILROAD EQUIPMENT LEASE AGREEMENT

dated as of

April 12, 1983

Bangor and Aroostook Railroad Company,  
a Maine corporation

and

American Fletcher Leasing Corporation,  
an Illinois corporation

FILED AND RECORDED WITH THE INTERSTATE COMMERCE COMMISSION ON  
\_\_\_\_\_, AT \_\_\_\_\_  
AND GIVEN RECORDATION NO. \_\_\_\_\_.

RAILROAD EQUIPMENT LEASE AGREEMENT

Dated as of April 12, 1983

Lessor: American Fletcher Leasing Corporation ("Lessor")  
111 Monument Circle, Suite 510  
Indianapolis, Indiana 46277

Lessee: Bangor and Aroostook Railroad Company ("Lessee")  
Northern Maine Junction Park  
R. R. 2  
Bangor, Maine 04401

1. Lease of Units. Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, subject to the provisions of this Railroad Equipment Lease Agreement (together with all supplements, equipment schedules, exhibits and riders hereto, "this Lease"), such units of railroad equipment (together with all parts, attachments, additions, replacements and repairs incorporated therein or affixed thereto, the "Units" or, individually, a "Unit") as Lessor shall have acquired pursuant to the Hulk Purchase Agreement, dated as of the date hereof between Lessor and Lessee (the "Hulk Purchase Agreement"), and as shall have been reconstructed pursuant to the Reconstruction Agreement dated as of the date hereof between Lessor and Lessee (the "Reconstruction Agreement"), which Units will be more particularly described in the Equipment Schedules (the "Schedules" or, individually, a "Schedule") to this Lease. The Schedules will be signed by Lessor and Lessee at the time of any redelivery of Units pursuant to the Reconstruction Agreement and, upon execution and delivery of any Schedule, such Schedule shall become a part thereof.

2. Term; Rent; Taxes and Other Impositions; Late Payments.

(a) The term of this Lease (the "Term") as to any Unit shall be a continuous period which shall commence on the date of redelivery of such Unit pursuant to the Reconstruction Agreement and shall extend to, and shall expire (unless sooner terminated pursuant to the provisions of this Lease) on, the fifteenth (15th) anniversary of the Base Lease Commencement Date (as defined in the Schedules).

(b) Lessee covenants and agrees to pay to Lessor rental ("Rent") for the use of each Unit during the Term, such rental to consist of the following components:

(1) a Facilities Charge, payable coincidentally with the initial payment of Interim Rent, in an amount equal to the product of (i)

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Bangor and Aroostook Railroad Company  
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1/360th of (a) the annual interest rate that American Fletcher National Bank and Trust Company, Indianapolis, Indiana designates, from time to time, as its prime rate plus (b) one percent (1.0%) times (ii) the Purchase Price for such Unit times (iii) the number of days elapsed from and including the date of payment for such Unit pursuant to the Hulk Purchase Agreement to but excluding the date of acceptance of such Unit by Lessee under the Lease (as confirmed by a Certificate of Acceptance); and

(2) monthly Interim Rent, payable, with respect to a particular calendar month, on the last day of the month which immediately follows such calendar month, in an amount equal to the product of (i) 1/360th of (a) the annual interest rate that American Fletcher National Bank and Trust Company, Indianapolis, Indiana designates, from time to time, as its prime rate plus (b) one percent (1.0%) times (ii) the aggregate of the Purchase Price and the Reconstruction Cost for such Unit, times (iii) the number of days in the calendar month with respect to which the monthly Interim Rent is being calculated provided, however, that if the monthly Interim Rent is being calculated with respect to the calendar month in which Lessee has accepted such Unit, then only the number of days (including the date of acceptance under the Lease) in such month during which such Unit is subject to the Lease shall be used to calculate Interim Rent for such month.

(3) Basic Rent, payable in sixty (60) consecutive quarterly payments in advance beginning with the Base Lease Commencement Date, each of which quarterly payments is to be in an amount equal to the product of (i) 3.20105% times (ii) the aggregate of the Purchase Price and the Reconstruction Cost for such Unit.

(c) Lessor shall pay, when due, any sales taxes imposed with respect to the sale of the Units to Lessor on the respective delivery dates under the Hulk Purchase Agreement and with respect to their redelivery under the Reconstruction Agreement; Lessee shall pay, when due, all other taxes (including sales, use, excise, gross receipts, value added, personal property, stamp, documentary and ad valorem taxes), levies, imposts, duties, charges, license and registration fees, assessments or withholdings of any nature whatsoever, together with any penalties, additions to tax, fines or interest thereon (collectively, "Impositions"), imposed with respect to the purchase, leasing, ownership, possession, use, sale, delivery, transfer of title, operation, return or other disposition of the Units during the Term therefor; provided, however, that Lessee need not pay any such Impositions if and to the extent that such Impositions are being contested by Lessee in good faith by due diligence and by appropriate proceedings and if and as long as such proceedings do not involve, in Lessor's good faith judgment, any risk of the sale, forfeiture or loss of the Units or any interest therein. Lessee shall also pay, or shall reimburse Lessor upon demand for, all taxes (except Federal or state net income taxes) imposed on Lessor or Lessee with respect to the Rent payable hereunder. Lessee shall file all required reports or returns

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Bangor and Aroostook Railroad Company  
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with respect to such Impositions and shall furnish copies thereof to Lessor.

(d) In the event that any Rent or other payment due under this Lease shall not be paid when due, Lessee shall pay to Lessor, on demand, as additional Rent, (i) a fee equal to two percent (2.0%) of the applicable payment amount and (ii) interest on the applicable payment amount at a rate equal to the annual interest rate that American Fletcher National Bank and Trust Company, Indianapolis, Indiana, designates, from time to time, as its prime rate plus two percent (2.0%).

3. Place of Payment; Net Lease. All amounts payable to Lessor hereunder shall be paid in immediately available funds to Lessor at Post Office Box 70099, Chicago, Illinois 60670 or deposited to Lessor's account with The First National Bank of Chicago, Chicago, Illinois (Account No. 59-66086), unless Lessor directs otherwise, and shall be paid without any notice, demand, deduction, set-off, counterclaim, defense or recoupment whatsoever, with respect to each of which Lessee hereby waives (to the extent permitted by applicable law) all rights that it might otherwise have, now or at any time hereafter. Lessee agrees that Lessee's obligation to pay all amounts due hereunder is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, any defect in any of the Units, any failure of any of the Units to comply with specifications or warranties, any defect in title to, or any lien or encumbrance on, any of the Units, any damage to or loss or destruction of any of the Units or any interruption or cessation of use or possession of any of the Units by Lessee for any reason. Lessee hereby waives (to the extent permitted by applicable law) any and all rights that it now may have or that at any time hereafter may be conferred upon it, by statute or otherwise, to terminate or cancel this Lease, except in accordance with the express provisions hereof. Each payment made by Lessee hereunder shall be final, and Lessee agrees not to seek to recover all or any part of any such payment for any reason whatsoever.

4. Inspection; Delivery and Acceptance; Certificate of Acceptance.

(a) Lessor retains certain rights to inspect the Units prior to and during the reconstruction thereof as more fully provided in the Hulk Purchase Agreement and the Reconstruction Agreement. Upon completion of reconstruction of the Units, the Units shall be tendered to the Lessee, at the place of reconstruction thereof. Upon such tender, Lessee shall cause an inspector designated and authorized by Lessee to inspect thoroughly the same, and, if such Units are found to be in good order, to accept delivery of such Units and to execute and deliver to Lessor a Certificate of Acceptance (the "Certificate of Acceptance") in the form attached hereto as Exhibit A with respect to such Units; provided, however, that Lessee shall not accept, and Lessor shall have no obligation to lease, any Units delivered after the Outside Delivery Date (as defined in the Reconstruction Agreement).

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(b) Lessee's execution and delivery of a Certificate of Acceptance with respect to the Units pursuant to Section 4(a) hereof shall conclusively establish that such Units are acceptable to and accepted by Lessee under this Lease, notwithstanding any defect with respect to design, manufacture or condition or in any other respect, and shall conclusively establish as between Lessor and Lessee that such Units are in good order and condition and 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 reconstructed railroad equipment of the character of the Units as of the date of such Certificate of Acceptance.

5. Disclaimer of Warranties by Lessor; Assignment of Warranties of Rebuilder.

(a) Lessee agrees that LESSOR SUPPLIES THE UNITS TO LESSEE "AS IS" AND MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, OPERATION, TITLE, MERCHANTABILITY, FITNESS (FOR USE OR FOR ANY PARTICULAR PURPOSE), DESIGN, CAPACITY OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP IN, THE UNITS, OR ANY OTHER WARRANTY OR REPRESENTATION WHATSOEVER, WRITTEN OR ORAL. Lessee further agrees that LESSOR SHALL NOT BE RESPONSIBLE FOR ANY LIABILITY, CLAIM, LOSS, DAMAGE (DIRECT OR CONSEQUENTIAL) OR EXPENSE, OF ANY KIND OR NATURE, CAUSED DIRECTLY OR INDIRECTLY FROM THE OPERATION OR USE THEREOF, and Lessee shall look solely to Rebuilder (as defined in the Reconstruction Agreement) for all warranty claims (including any patent warranty claims) with respect thereto.

(b) Lessor hereby assigns to Lessee (effective as of the time of redelivery of each of the Units pursuant to the Reconstruction Agreement) without recourse, all warranties with respect to such Unit made by the Rebuilder pursuant to the Reconstruction Agreement, such assignment to remain in effect during the Term for use of the Units by Lessee unless and until an Event of Default (as defined in paragraph 13 below) or an Incipient Default (as defined in said paragraph) shall have occurred and be continuing.

6. Conditions Precedent.

(a) The obligation of Lessor to lease any of the Units to Lessee hereunder shall be subject, on or as of the redelivery date for such Unit under the Reconstruction Agreement, to (i) Lessee's acceptance of such Unit pursuant to paragraph 4(a) above, as evidenced by Lessor's receipt of the Certificate of Acceptance with respect thereto; (ii) Rebuilder's redelivery of such Unit to Lessor in full accordance with the provisions of the Reconstruction Agreement, (iii) Lessee's execution and delivery at Lessee's expense of such documents as Lessor may reasonably deem to be necessary or desirable (each in form and substance satisfactory to Lessor), including, without limitation, an opinion of counsel, a certificate of officers of

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Lessee, Uniform Commercial Code financing statements and other filings and publications as may be appropriate with respect to Lessor's interest in the Units including filings with the United States Interstate Commerce Commission; (iv) there not having occurred, since the date of the most recent financial statements for Lessee certified by the chief financial officer of Lessee theretofore furnished by Lessee to Lessor, any material adverse change in the financial conditions of Lessee or in Lessee's ability to perform its obligations hereunder or under the Hulk Purchase Agreement or the Reconstruction Agreement; (v) there having occurred no change in applicable law that would have a material adverse impact on the transactions contemplated by this Lease (unless Lessor and Lessee shall have agreed upon appropriate adjustments and indemnities to compensate for such change); (vi) Lessee's representations and warranties contained in this Lease being true and accurate as if made on and as of such date, and Lessee's having performed and complied with all of its covenants and obligations hereunder and under the Hulk Purchase Agreement and the Reconstruction Agreement; (vii) Lessor shall have received a report from Lessee or from an independent expert acceptable to Lessor, which report shall be satisfactory to Lessor in form and in substance and shall demonstrate that an amount equal to at least twenty percent (20.0%) of the sum of the aggregate Purchase Price and the aggregate Reconstruction Cost of the Units is a reasonable estimate of what the fair market value of the Units will be at the end of the Term (the same to be determined without including in such value any increase or decrease for inflation or deflation prior to such time and after subtracting from such value any cost to Lessor for removal and delivery of possession of the Units at the end of the Term), that a remaining useful life, expressed in years, at least equal to twenty percent (20.0%) of the number of years (or fractions thereof) comprising the originally estimated useful life of the Units is a reasonable estimate of what the remaining useful life of the Units will be at the end of the Term.

7. Reports; Inspection.

(a) Lessee shall furnish to Lessor (i) within 90 days after the end of each fiscal year of Lessee, copies of Lessee's financial statements for such fiscal year, certified by a recognized firm of independent certified public accountants or, if the certification by such independent certified public accountants is not available, certified by the chief financial officer of Lessee, (ii) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of Lessee, copies of Lessee's financial statements for such fiscal quarter and for the portion of such fiscal year elapsed through the end of such fiscal quarter, certified by the chief financial officer of Lessee, (iii) on the date on which the financial statements referred to in clause (i) above are submitted to Lessor (and at such other times as Lessor may reasonably request), a written report (A) describing the condition of the Units and the maintenance program being followed with respect thereto and (B) stating that in the case of all Units repainted during the period covered by such report, the markings required by paragraph 8(a)(v) hereof shall have been preserved or replaced, and (iv)

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promptly after the occurrence thereof, (A) written notification, in reasonable detail, as to any accident, claim or demand relating to any of the Units or to the ownership, operation or condition thereof (together with copies of all documents pertaining to such accident, claim or demand) and (B) written notification, in reasonable detail, as to the attachment of any tax lien on the Units.

(b) Lessor shall have the right, on request at its expense, to inspect and examine the Units and any records relating to the maintenance or operation thereof at any reasonable time; provided, however, that Lessor shall be under no duty to make any such inspection or examination at any time and shall be subject to no liability by reason of not making the same.

8. Use, Operation, Possession and Repair; Indemnification;  
Compliance with Law.

(a) Lessee hereby agrees that Lessee:

(i) will use the Units solely in the ordinary course of its business and only in the manner for which they were designed or intended and so as to subject them only to ordinary wear and tear;

(ii) will not, without the prior written consent of Lessor, assign, transfer or encumber its leasehold interest under this Lease in any of the Units and will not, without prior written consent of Lessor, which consent shall not be unreasonably withheld, enter into any sublease with respect to, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of subsection (iii) of this paragraph; provided, however, that any assignment or sublease entered into by Lessee hereunder shall provide (A) that the Units shall be used only as provided in subsection (iii) of this paragraph, (B) that Lessee shall remain primarily liable to perform and discharge all of its obligations hereunder (including its obligations in respect of the maintenance of the Units) and (C) that the rights of the assignee or sublessee under such assignment or sublease shall be expressly subject and subordinate to all of the terms and conditions of this Lease and to Lessor's right to repossess the Units pursuant to paragraph 14 below; provided, further, that Lessee and such assignee or sublessee shall have executed and delivered to Lessor, at Lessee's expense, such Uniform Commercial Code financing statements or similar documents as Lessor may deem to be necessary or desirable (each in form and substance satisfactory to Lessor).

(iii) as long as no Event of Default or Incipient Default shall have occurred and be continuing, will use the Units upon 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

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Bangor and Aroostook Railroad Company  
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directly or indirectly by Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which equipment of Lessee is regularly operated pursuant to contract or upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease; provided, however, that, notwithstanding the foregoing, Lessee shall at no time throughout the Term of this Lease assign or permit the assignment of any Unit to service (including, without limitation, the regular operation or maintenance thereof) outside the continental United States, except such use as will not, under Section 48(a)(2) of the Internal Revenue Code of 1954, as amended (the "Code"), prevent the Units' being (as respects the aggregate Reconstruction Cost of the Units) "new Section 38 property," as defined in the Code, or as will not result in any amounts includable in, or deductible from, Lessor's gross income with respect to this Lease being treated as derived from, or as allocable to, sources outside the United States for Federal income tax purposes;

(iv) will at all times, at Lessee's expense, keep the Units free and clear of all liens, charges and other encumbrances whatsoever other than Permitted Liens (as defined in the last sentence of this paragraph 8(a)) and free and clear of all Impositions (other than Impositions that are being contested by Lessee in full accordance with, and to the extent permitted by, paragraph 2(c) above) that might in any way affect the title of Lessor to the Units or result in any encumbrance upon the same;

(v) will cause each Unit to be kept numbered with its road number as set forth in Schedule A to the related Equipment Schedule and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting colors upon each side of each Unit in letters not less than one inch in height the following:

TITLE TO THIS CAR IS SUBJECT TO DOCUMENTS FILED WITH THE  
INTERSTATE COMMERCE COMMISSION

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of Lessor to such Unit, its rights under this Lease and the rights of any assignee under paragraph 19 hereof, will not place any such Unit in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced, obliterated or destroyed and will not change the road number of any Unit except with the consent of Lessor and in accordance with a statement of new road numbers to be instituted therefor, which statement previously shall have been delivered to Lessor by Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited;

(vi) except as above provided, will not allow the name of

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any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates on railroad equipment used by it of the same or a similiar type for convenience of identification of the right of Lessee to use the Units under this Lease;

(vii) will maintain the Units, at Lessee's expense, in the same operating order, repair and condition as when received by Lessee hereunder, ordinary wear and tear excepted, and in compliance with all applicable laws, rules and regulations, and, to the extent possible, suitable for interchange in accordance with the Interchange Rules of the Association of American Railroads (or any successor organization having responsibility for matters pertaining to the interexchange of freight traffic) (the "Interchange Rules") and all requirements of the insurance referred to in paragraph 9 below;

(viii) will furnish, at Lessee's expense, all parts (including replacement parts), supplies, services and utilities necessary to the operation or maintenance of the Units, all of which shall immediately become the property of Lessor; provided, however, that Lessee shall make no other additions or improvements to any Unit unless the same are readily removable without causing material damage to such Unit. Title to any such readily removable additions or improvements shall remain with Lessee. If Lessee shall at it cost cause such readily removable additions or improvements to be made to any Unit, Lessee may, or at the request of Lessor, Lessee shall, prior to the return of such Unit to Lessor hereunder, remove the same at its own expense without causing material damage to such Unit; and

(ix) will, prior to the delivery of any Unit pursuant to the Lease, cause the Lease and the Reconstruction Agreement to be duly filed pursuant to the provisions of the Interstate Commerce Act and deposited, within 21 days from the execution thereof, with the Registrar General of Canada (and provision made for publication of notice of such deposit in The Canada Gazette) pursuant to the provisons of the Railway Act of Canada and 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 Lessor for the purpose of protecting Lessor's title to the Units and will deliver to Lessor proof of such filings and 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.

For purposes hereof, "Permitted Liens" shall mean and include only (A) the interest of Lessee under this Lease, (B) liens for taxes either not yet due or being contested by Lessee in full accordance with, and to the extent permitted by, the provisions of this Lease, (C) liens resulting solely from acts on the part of Lessor that are not contemplated by this Lease or by any other

document to be executed and delivered by Lessee in connection with the transactions contemplated hereby ("Lessor's Liens") and (D) inchoate materialmen's or mechanics' liens arising in the ordinary course of Lessee's business and securing sums either not yet delinquent or being contested by Lessee in good faith by due diligence and by appropriate proceedings, if and as long as such proceedings do not involve, in Lessor's good faith judgment, any risk of the sale, forfeiture or loss of the Units or any interest therein.

(b) Lessee assumes responsibility for all costs incurred in connection with the use and operation of the Units and assumes all risks of loss, theft, condemnation or destruction of, or damage to, the Units and all risks of any injuries or damages incident thereto, whether to employees, agents or property of Lessee, Lessor or third parties. Lessee will hold Lessor harmless from all of the above and from all losses, damages, penalties, liabilities and expenses (including attorney's fees), howsoever arising, incurred because of or with respect to (i) the Units or any portion thereof or the actual or alleged acquisition, delivery, management, control, ownership, leasing, possession, use, installation, operation, maintenance, condition, defect (whether or not discoverable by Lessor or Lessee), storage, return, repossession, surrender, sale or other disposition thereof (including claims for patent, trademark or copyright infringement, actual or alleged, in respect of the Units), (ii) any act or omission of Lessee hereunder or (iii) the imposition of strict or absolute liability in tort. It is understood and agreed that Lessee shall in no event be required to indemnify Lessor under this paragraph 8(b) against any loss or liability to the extent that the same arises solely by reason of Lessor's own gross negligence or willful misconduct. If either Lessor or Lessee shall obtain knowledge of any matter with respect to which Lessor would be entitled to indemnification under this paragraph 8(b), such party shall give prompt written notice thereof to the other party, but no failure to give or receive any such notice shall relieve Lessee from any obligation to indemnify Lessor pursuant hereto. In the event that any action, suit, proceeding or other claim is brought or made by a third party against Lessor in connection with any matter with respect to which Lessor would be entitled to indemnification under this paragraph 8(b), Lessee will cooperate fully with Lessor in defending against such action, suit, proceeding or other claim.

(c) 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, to the extent applicable, the current Interchange Rules or supplements thereto) with respect to the use and maintenance of each Unit subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Unit in order to comply with such laws, regulations, requirements and rules, Lessee agrees to make such alterations, additions, replacements and/or modifications at its own expenses and title thereto shall be immediately vested in the Lessor; provided, however, that Lessee may, in good faith and by appropriate legal proceedings,

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Bangor and Aroostook Railroad Company  
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contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not in the opinion of Lessor adversely affect the property rights or interests of Lessor in the Units or hereunder.

9. Insurance.

(a) Lessee shall, at its own cost, maintain in effect throughout the Term and during any storage period thereafter, with financially sound and reputable insurers having Best's ratings at least as good as Lessee's present insurers, "all risk" insurance, in form and substance satisfactory to Lessor, insuring against loss or damage to the Units in an amount equal to the greater of the amount set forth in the Interchange Rules as being applicable to the loss of the Units (the "AAR Value") or the Stipulated Loss Value (determined as specified in the Schedules) of the Units; provided, however, that Lessee may, at its option, in good faith self-insure the aforementioned risks with respect to the Units in a manner consistent with industry practice and Lessee's practice for self-insuring such risks with respect to other railroad rolling stock owned or operated by it.

(b) Lessee shall, at its own cost, maintain in effect throughout the Term and during any storage period thereafter, with financially sound and reputable insurers having Best's ratings at least as good as Lessee's present insurers, comprehensive general public liability insurance with respect to the Units, in form and substance satisfactory to Lessor, insuring against loss or damage to the persons and property of others in amounts which shall be satisfactory to Lessor; provided, however, that Lessee may, at its option self-insure the aforementioned risks with respect to the Units in a manner consistent with industry practice and Lessee's practice for self-insuring such risks with respect to other railroad rolling stock owned or operated by it.

(c) Each insurance policy (i) in the case of property insurance on the Units, shall provide that settlements for losses shall be paid only to Lessor (and/or to its assignees) and shall insure Lessor's interest regardless of any breach or violation by Lessee of any warranty, declaration or condition contained in such policy, (ii) in the case of public liability and property damage insurance, shall name both Lessor and Lessee as insureds and shall provide that all insurance (except the limits of liability) thereunder shall operate as if there were a separate policy covering each insured, (iii) shall be primary and without right of contribution from any other insurance carried by Lessor and (iv) shall provide for 30 days' written notice to Lessor as a precondition to the effectiveness of any alteration or cancellation of coverage thereunder. Certificates of insurance or other evidence satisfactory to Lessor (including originals or certified copies of such insurance policies), demonstrating the existence of insurance complying with the provisions of this paragraph 9, the terms and conditions thereof and the payment of all premiums therefor, shall be delivered to Lessor with respect to

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any Unit prior to the redelivery of such Unit pursuant to the Reconstruction Agreement and, thereafter, at least 30 days prior to the expiration of each such policy.

10. Damage to Units; Total Loss.

(a) If any Unit is lost, stolen, condemned, wholly destroyed, damaged beyond repair or otherwise rendered permanently unfit or unavailable for use by Lessee for any reason, such Unit shall be deemed to have suffered a "Total Loss" for purposes hereof. In the event of a Total Loss of any Unit, Lessee shall pay to Lessor, within 60 days after the date of such Total Loss, an amount equal to the Stipulated Loss Value of such Unit as of the date of such total Loss (less the amount of any proceeds of property insurance received by Lessor with respect to such Total Loss prior to the date of such payment by Lessee), together with (i) any unpaid Rent due in respect of such Unit to and including the date of such Total Loss and any other payments owing under this Lease and (ii) interest on each of the aforesaid amounts at the rate set forth in paragraph 2(d) (ii) above for the period from the date of such Total Loss to the date of receipt thereof by Lessor. Upon payment in full of all such amounts, this Lease shall terminate with respect to such Unit. Should Lessor receive any proceeds of property insurance with respect to such Total Loss in an amount exceeding the amounts referred to in the second preceding sentence, Lessor shall, unless an Event of Default or an Incipient Default shall have occurred and be continuing, or the amount of such proceeds due Lessor shall be in controversy, pay over such excess proceeds to Lessee on the later of the date of payment by Lessee pursuant to this paragraph 10(a) or, if such excess proceeds are later received, within a reasonable time thereafter, as compensation for the loss of Lessee's leasehold interest in such Unit. For purposes hereof, the Stipulated Loss Value of any Unit shall be an amount determined as specified in the Schedules.

(b) If any Unit is damaged but is capable of being repaired, such Unit shall be promptly repaired by Lessee, at Lessee's expense, and this Lease shall continue in effect. Should Lessor receive any proceeds of property insurance with respect to such damage, Lessor shall, unless an Event of Default or an Incipient Default shall have occurred and be continuing, pay over such proceeds to Lessee, for application to the cost of such repair or to reimbursement of Lessee if Lessee has theretofore paid the cost thereof.

11. Return of Units; Storage.

(a) At the expiration or sooner termination of the Term, Lessee shall, at its own risk and expense, unless Lessee has exercised the option provided for in paragraph 15(a) below, return the Units to Lessor, upon such storage tracks of Lessee or any entity associated with or owned or controlled by Lessee, as Lessor may designate, free and clear of all liens, charges and other encumbrances whatsoever (other than Lessor's Liens), in the same operating order, repair and condition as when received by Lessee hereunder, ordinary wear and tear excepted.

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(b) If the Units are to be returned to Lessor in accordance with paragraph 11(a) above, then Lessee shall permit the Units to remain on Lessee's property, without charge to Lessor, for a period of up to 90 days subsequent to the time when the Units are to be returned pursuant to said paragraph 11(a). During such period, Lessee shall, at its own risk and expense, (i) insure and maintain the Units to Lessor's satisfaction, (ii) transport the Units to any reasonable place on any railroad lines operated by Lessee or to any connecting carrier for shipment, all as directed by Lessor upon not less than 30 days' written notice to Lessee and (iii) permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Units, to inspect the same.

(c) The assembling, delivery, storage and transporting of the Units as provided herein are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee to so assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of expiration of this Lease, after deduction of the reasonable expenses of Lessee incident thereto, shall belong to Lessor and, if received by Lessee, shall be promptly turned over to Lessor.

12. Lessee's Representations and Warranties. Lessee represents and warrants to and covenants with Lessor as follows:

(a) That Lessee is a corporation duly organized validly existing and in good standing under the laws of the State of Maine, that it is duly qualified to do business and in good standing in each other jurisdiction in which the nature of its business requires qualification as a foreign corporation and that it has the corporate power to own its assets and to transact the business in which it is engaged;

(b) That it has taken all corporate action required to authorize the execution, delivery and performance of this Lease, the Hulk Purchase Agreement, and the Reconstruction Agreement and each other document to be executed and delivered by Lessee in connection with the transactions contemplated by this Lease, the Hulk Purchase Agreement and the Reconstruction Agreement, that such execution, delivery and performance will not conflict with or violate any provision of any law, rule or regulation, the charter or by-laws of Lessee or any agreement, instrument, undertaking, order, decree or judgment to which it is a party or by which it is bound or result in a default, or an acceleration of any obligation, under any of the same, and that it is not in default under any of the same;

(c) That there is no litigation or proceeding pending or threatened against Lessee that might have a material adverse effect on Lessee or that would prevent or hinder the performance and observance by Lessee of

(d) That this Lease, the Hulk Purchase Agreement, the Reconstruction Agreement and each other document to be executed and delivered by Lessee in connection with the transactions contemplated by this Lease, the Hulk Purchase Agreement or the Reconstruction Agreement constitute (or will, when executed and delivered as contemplated hereby or thereby, constitute) valid and binding obligations of Lessee enforceable against Lessee in accordance with the terms thereof;

(e) That no authorization, consent, approval, registration, filing or other action by or with any governmental agency or other regulatory body is necessary for the acquisition and operation of the Units as contemplated by this Lease or is otherwise required in connection with the transactions contemplated by this Lease, the Hulk Purchase Agreement or the Reconstruction Agreement, except such as have been obtained on or prior to the date hereof or will be obtained on or prior to the first delivery under the Hulk Purchase Agreement;

(f) That all financial statements for Lessee heretofore furnished by it to Lessor in connection with the transactions contemplated by this Lease are true and accurate, fairly present the financial condition and results of operations of Lessee as of the respective dates thereof and for the respective periods covered thereby and do not contain any untrue statement, or any omission, of a material fact, and that there exists no fact, situation or event that materially adversely affects or that will materially adversely affect the properties, business, assets, income, prospects or condition (financial or otherwise) of Lessee other than the decision of the Interstate Commerce Commission announced on March 3, 1983\* in its Docket No. 346 (Sub No. 8) Exemption from Regulation - Boxcar Traffic"; and

(g) That Lessee will at all times during the Term maintain stockholders' equity, determined in accordance with generally accepted accounting principles, in an amount not less than the then applicable Stipulated Loss Value for the Units.

13. Defaults. An event of default hereunder ("Event of Default") shall occur if (a) Lessee fails to pay any Rent or any other amount due hereunder when and as the same shall become due, and such failure either (i) continues for three (3) days after receipt by Lessee of written, telegraphic, telephonic, teletypes or telexed notice of such failure or (ii) continues for ten (10) days after the date on which such amount becomes due and payable, (b) Lessee fails at any time to maintain any insurance coverage prescribed herein, (c) Lessee fails duly to perform or observe any other covenant, condition or agreement contained herein or in any other document executed and delivered by Lessee in connection with the transactions contemplated by this Lease, and such failure continues for twenty (20) days after receipt by Lessee of written, telegraphic, telephonic, teletyped or telexed notice of such failure, (d) Lessee shall have made a materially false or misleading

\*The decision was announced in a "Media Advisory" in which the Commission stated "It is anticipated that a decision will be issued...within the next 60 days..."

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representation or warranty herein or in any other document executed and delivered by Lessee in connection with the transactions contemplated by this Lease, (e) Lessee becomes unable to pay its debts as they mature, commits an act of bankruptcy or becomes the subject of any proceeding under the Federal bankruptcy laws or any other insolvency laws (as now or hereafter in effect) (provided, however, that, if such proceedings are commenced by a party other than Lessee and are stayed or dismissed within thirty (30) days after the commencement thereof, then the same shall not constitute an Event of Default), (f) Lessee permits any substantial part of its property to be subject to a levy, seizure, assignment or sale by or for any creditor of Lessee or any governmental agency, (g) Lessee fails timely to comply with any obligation under any one or more other agreements, instruments or undertakings (including any other leases) to which it is a party or by which it is bound and under which the outstanding principal sum due for borrowed money, for the deferred purchase price of property, for the payment of rent or otherwise equals or exceeds \$100,000 in the aggregate for all such agreements, instruments and undertakings, or (h) Lessee has rendered against it a final judgment or judgments aggregating in excess of \$50,000, and such judgment or judgments remain outstanding and undischarged for a period of ten (10) days during which execution of such judgment or judgments has not been effectively stayed. Promptly upon becoming aware of the occurrence of any Event of Default of any event that, with notice or lapse of time or both, would constitute an Event of Default (an "Incipient Default"), Lessee shall give to Lessor written notice of such Event of Default or Incipient Default.

14. Remedies.

(a) Upon the occurrence of an Event of Default, Lessor at its option may (i) proceed by appropriate court action to enforce performance by Lessee of its obligations hereunder or to recover from Lessee any and all damages and expenses that Lessor shall have sustained by reason of Lessee's default or on account of Lessor's enforcement of its remedies hereunder, (ii) take possession of the Units and thereupon Lessee's right to the possession thereof shall terminate (it being understood, however, that such taking of possession shall neither terminate this Lease nor discharge Lessee's obligations and duties hereunder, including, without limitation, Lessee's obligation to pay to Lessor the damages provided for herein), and/or (iii) terminate this Lease and Lessee's rights hereunder. In the event of any such repossession, Lessor at its option may lease the Units for such period, at such rent and to such person as Lessor may elect, or may sell the Units at public or private sale, without demand or notice of intention to sell, or notice of sale, to Lessee and with or without having the Units at the place of sale, and all proceeds realized by Lessor from any such lease or sale shall be retained by Lessor, without any duty to account for or pay over the same to Lessee. In the event of termination of this Lease, as aforesaid, Lessee shall pay to Lessor on the date of such termination, as liquidated damages for the

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Loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Stipulated Loss Value of the Units as of the date of such termination over the then fair market sales value of the Units, determined (at Lessee's expense) by an independent appraiser selected by Lessor (provided, however, that if Lessor shall have sold the Units prior to the making of such determination, the fair market sales value of the Units for purposes of this sentence shall be equal to the net proceeds of such sale actually realized by Lessor), and Lessee shall also be liable to Lessor for an amount equal to the sum of (A) any unpaid Rent due in respect of the Units to and including the date of termination of this Lease, (B) any accrued Impositions or other amounts payable under this Lease, (C) all costs, expenses, losses and damages incurred or sustained by Lessor by reason of Lessee's default, (D) all amounts earned in respect of the Units after the date of termination of this Lease and (E) interest at the rate set forth in paragraph 2(d) (ii) above on the amount of such excess, and on each other amount referred to in this sentence, for the due date thereof until paid in full.

(b) LESSEE HEREBY VOLUNTARILY AND KNOWINGLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS TO NOTICE AND/OR A HEARING PRIOR TO ANY RETAKING OF POSSESSION OF THE UNITS BY LESSOR OR ITS AGENTS UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, AND FOR SUCH PURPOSE LESSOR SHALL HAVE THE RIGHT, INSOFAR AS LESSEE CAN AUTHORIZE SUCH ACTION, TO ENTER UPON ANY PREMISES ON WHICH THE PRINTING PRESS MAY BE SITUATED AND REMOVE THE SAME THEREFROM. ANY DAMAGES OCCASIONED BY SUCH TAKING OF POSSESSION ARE HEREBY EXPRESSLY WAIVED BY LESSEE.

(c) In connection with the exercise of its remedies hereunder, Lessor may require Lessee to deliver the Units to Lessor, in the condition provided for in paragraph 11(a) above. For the purpose of delivering possession of any Units to Lessor as above required, Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(i) forthwith place such Units in such reasonable storage place on Lessee's lines of railroad as Lessor may designate or, in the absence of such designation, as Lessee may select; provided that, in the event Lessor shall designate storage tracks which are then unavailable either because such tracks are then being used to store equipment owned by a third party pursuant to a contractual obligation of Lessee to provide storage therefor or because the storage of the Units on such tracks would materially impair the ability of Lessee to meet its obligations to perform services as a common carrier to the public, then Lessee agrees to so store the Units upon such other storage tracks as shall then be so available and nearest to such storage tracks designated by Lessor;

(ii) permit Lessor to store such Units in such reasonable storage place on Lessee's lines of railroad without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by Lessor and during such period of storage Lessee shall continue to maintain all insurance required by paragraph 9 hereof; and

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

(d) If Lessor shall incur any expenses (including attorneys' fees) in the enforcement of any of its rights under this Lease without having brought any action, suit or other proceeding to enforce the same, or if Lessor shall bring any such action, suit or other proceeding and shall be entitled to judgment, then Lessor may recover from Lessee its reasonable expenses so incurred.

(e) All rights and remedies conferred on Lessor by the Lease or by law shall be cumulative and in addition to every other right and remedy available to Lessor. No failure on the part of Lessor to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, unless such right or remedy is specifically waived by Lessor in writing, nor shall any single or partial exercise by Lessor of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy.

#### 15. Purchase Option.

(a) Provided that this Lease has not been earlier terminated and that no Event of Default or Incipient Default shall have occurred and be continuing, Lessee may purchase, in whole but not in part, the Units at the expiration of the Term for a purchase price equal to the then fair market sales value of the Units (such value to be determined by mutual agreement of Lessor and Lessee or, failing such agreement, by the appraisal procedure described in paragraph 15(b) below). Lessee shall deliver to Lessor written notice of Lessee's desire to exercise such right to purchase not later than 180 days prior to the expiration of the Term (it being understood and agreed that such notice shall not be revocable by Lessee for any reason). In the event of the giving of such notice, Lessee shall purchase the Units on the day after the date of expiration of the Term, by paying to Lessor, in cash, the fair market sales value thereof, it being understood and agreed that this Lease (including the obligation to pay Rent hereunder) will continue in effect on the same terms and conditions as are set forth herein, as to the Units until the date of Lessee's purchase thereof. Upon receipt of payment of the purchase price therefor, Lessor shall transfer to Lessee all of Lessor's right, title and interest in and to the Units, such transfer to be without recourse to or warranty by Lessor (other than a warranty against Lessor's Liens).

(b) If Lessor and Lessee are unable, within a period of thirty (30) days after delivery of Lessee's notice of desire to exercise the option afforded by paragraph 15(a) above, to agree upon any determination provided for herein as to the fair market sales value of the Units, then such value shall be determined by the following procedure: If either party 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 with ten (10) days after such notice is given, each party shall appoint an independent appraiser within fifteen (15) days after such notice is given, and the two appraisers so appointed shall within twenty-five (25) days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within twenty-five (25) days after such notice is given, either party may request the American Arbitration Association to make such appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing appraisal procedure shall be instructed to determine the fair market sales value of the Units within sixty (60) days after its 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 fair market sales value made by the single appraiser appointed shall be final and binding upon the parties hereto. If three appraisers shall be appointed, the determination thereof made by the appraiser that differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto. For purposes of the foregoing, (i) the fair market sales value of the Units shall be determined on the basis of, and shall be equal in amount to, the purchase price that would obtain in an arm's-length transaction between an informed and willing purchaser and an informed and willing seller, in each case under no compulsion to buy or sell and (ii) in such determination, any costs of removal from the location of current use shall be a deduction from such value. All expenses of the foregoing appraisal procedure shall be borne by Lessee.

17. Tax Representations and Warranties of Lessee. Lessee represents, warrants and covenants to Lessor that based on the Code and the Treasury Regulations and other authority interpreting or applying the Code, and any other applicable Federal, state or local tax law:

(a) It has filed all required tax returns and has paid all taxes shown as due and payable thereon or otherwise assessed against it (except for any such taxes being contested by Lessee in good faith by due diligence and by appropriate proceedings);

(b) The transactions contemplated by this Lease will not involve any "prohibited transaction" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Code;

(c) Neither Lessee nor any person acting on its behalf has made or will make any statement or has taken any action (or has failed or will fail to act, if such failure would be) inconsistent with Lessor's being treated as the owner of the Units and Lessee's being treated as the lessee thereof for Federal, state and local income tax purposes;

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(d) Lessee has no knowledge of any facts inconsistent with Lessor's being treated as the owner and lessor of the Units for Federal, state and local income tax purposes;

(e) When the Units are delivered and accepted hereunder and redelivered under the Reconstruction Agreement the Units (as respects the aggregate Reconstruction Cost of the Units) will be "new section 38 property" within the meaning of Section 48(b) of the Code and "5-year property" within the meaning of Section 168(c)(2)(B) of the Code and (as respects the aggregate Purchase Price of the Units) will have an asset depreciation period of twelve years, as permitted by asset guideline class 00.25 under the asset depreciation range system of depreciation provided for in Section 167(m) of the Code and Section 1.167(a)-11 of the regulations thereunder; and

(f) Neither Lessee nor any person acting on its behalf will use, or suffer the use of, the Units in such a way as would disqualify the Units, as respects the aggregate Reconstruction Cost of the Units, from being "new section 38 property" as aforesaid, or in such a way as would result in any amounts includable in, or deductible from, Lessor's gross income with respect to this Lease being treated as derived from, or as allocable to, sources outside the United States for Federal income tax purposes.

18. Tax Matters.

(a) For purposes of this paragraph: "ITC" shall mean the investment tax credit allowed for "new Section 38 property" by Section 38 and Sections 46 et seq. of the Code, in an amount equal to ten percent (10.0%) of the aggregate Reconstruction Cost of the Units; "Depreciation" shall mean (i) in respect of the aggregate Purchase Price of the Units, depreciation deductions with respect to such Purchase Price computed for Federal income tax purposes on the basis of (A) the 150% declining balance method of depreciation changing, at the time most advantageous to Lessor, to the straight line method of depreciation provided for in Section 167(b)(3) of the Code, (B) an asset depreciation period of twelve years, as permitted by asset guideline class 00.25 under the asset depreciation range system of depreciation provided for in Section 167(m) of the Code and Section 1.167(a)-11 of the regulations thereunder, (C) the "half-year" convention or the "modified half-year" convention provided for in Section 1.167(a)-11(c)(2) of such regulations, whichever is more advantageous to Lessor, and (D) a gross salvage value equal to ten percent (10.0%) of such Purchase Price and (ii) in respect of the aggregate Reconstruction Cost of the Units, the "cost recovery" deductions allowed under Section 168 of the Code, computed on the basis of treating the Units (as respects the aggregate Reconstruction Cost) as "5-year property" under Section 168(c)(2)(B) and calculating the deductions pursuant to Section 168(b)(1)(A); and "Tax Benefits" shall mean, collectively, both (A) ITC with respect to any Unit, for Lessor's taxable year in which occurs the redelivery of such Unit pursuant to the Reconstruction Agreement and (B) Depreciation with respect to any Unit, commencing for Lessor's taxable year in which occurs the redelivery of such Unit pursuant to the Reconstruction Agreement.

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(b) Lessee agrees that only Lessor (and not Lessee) shall be entitled to claim the Tax Benefits with respect to the Units and further agrees that in no event will Lessee be entitled to inspect any tax returns or other records of Lessor. If, by reason of any Cause (as defined in paragraph (c) below), Lessor shall not be able to claim and/or to retain, without recapture or disallowance, the Tax Benefits or any portion thereof (any such inability being herein referred to as a "Loss"), then Lessee shall pay to Lessor, on demand, such amounts as (after deduction of all taxes required to be paid by Lessor on the receipt thereof) shall, in the reasonable opinion of Lessor, be sufficient to maintain Lessor's after-tax rate of return and periodic after-tax cash flow and book income flow (collectively, Lessor's "Net Economic Return") in respect of the transactions contemplated by this Lease (computed on the same assumptions --including assumed tax rates--as were utilized by Lessor in originally evaluating such transactions) at the same level that would have been realized by Lessor had such Tax Benefits not been lost, recaptured or disallowed.

(c) Lessee shall be required to make payment to Lessor pursuant to paragraph 18(b) above if Lessor's Loss results from any one or more of the following causes (each a "Cause"):

(i) the occurrence of any event which would preclude the characterization of the Units, with respect to Reconstruction Cost, as "new section 38 property" within the meaning of Section 48(b) of the Code or as "5-year property" within the meaning of Section 168(c)(2)(B) of the Code or which would, with respect to Purchase Price, prevent the Units' having an asset depreciation period of twelve years, under the asset depreciation range system of depreciation provided for in Section 167(m) of the Code and Section 1.167(a)-11 of the regulations thereunder; or

(ii) the basis of the Units under the Code for purposes of computing investment tax credit and cost recovery deductions with respect to the Reconstruction Cost being an amount less than the Reconstruction Cost thereof; or

(iii) the basis of the Units under the Code for purposes of computing depreciation with respect to the Purchase Price being an amount less than the Purchase Price thereof; or

(iv) the sale or other disposition of Units or any portion thereof or any interest therein after the occurrence of an Event of Default, or any other act, or any failure to act on the part of Lessor or any of its officers, employees or agents in connection with the exercise of remedies in respect of such Event of Default; or

(v) the incorrectness of any representation or warranty made by Lessee (including, without limitation, those made in paragraph 17 above), or the breach by Lessee of any of its covenants contained in this Lease (including, without limitation, those contained in said paragraph); or

(vi) any other act, failure to act or misrepresentation, at any time, by Lessee or any of its officers, employees or agents or by any sublessee or other person who acquires possession of the Units while the Units are leased to Lessee pursuant hereto (including, without limitation, any act, failure to act or misrepresentation in respect of the income tax returns of Lessee), whether or not permitted.

(c) If, by reason of the making by Lessee of any modification of or addition to the Units (whether or not permitted or necessitated by paragraph 8 above), Lessor is required to include in Lessor's gross income for Federal income tax purposes any amount that otherwise would not be required to be included therein, then Lessee shall pay to Lessor, on demand, such amounts as (after deduction of all taxes required to be paid by Lessor on the receipt thereof) shall, in the reasonable opinion of Lessor, be sufficient to maintain Lessor's Net Economic Return in respect of the transactions contemplated by this Lease (computed on the same assumptions--including assumed tax rates--as were utilized by Lessor in originally evaluating such transactions) at the same level that would have been realized by Lessor had such amount not been included in its gross income.

(d) If Lessor is not permitted to treat for Federal income tax purposes all amounts includable in Lessor's gross income with respect to this Lease, and all deductions allowable to Lessor with respect to this Lease, as derived from, or as allocable to, sources within the United States, then Lessee shall pay to Lessor, on demand, such amounts as (after deduction of all taxes required to be paid by Lessor on the receipt thereof) shall, in the reasonable opinion of Lessor, equal the additional foreign tax credit that would have been allowable to Lessor had such amounts of income and/or deductions with respect to this Lease been excluded from the computation of Lessor's allowable foreign tax credits.

(e) Lessee shall pay to Lessor, on demand, an amount equal to the amount of any increase in income taxes (Federal, state or local) of Lessor that may result from the inclusion in Lessor's gross income of any amount required to be paid to Lessor or for Lessor's account pursuant to paragraph (c) or paragraph (d) above or pursuant to paragraphs 2(c) or 8(b) of this Lease.

19. Assignment by Lessor; Actions on Behalf of Lessee.

(a) Lessee acknowledges and agrees that Lessor may, at its option, assign its interest in this Lease and in the Units to one or more financial institutions or other persons (including, without limitation, affiliates of Lessor), each of which assignees will rely on, and will be entitled to the benefits provided by, this paragraph 19(a). Lessee covenants that, upon the occurrence of any such assignment, Lessee will recognize the rights of each assignee (including, to the extent set forth in any instrument of assignment, the right to give directions to Lessee, to receive the Rent and

other payments due under this Lease and to exercise all remedies afforded to Lessor), will continue to perform and observe all of its obligations hereunder and will not seek to terminate this Lease, notwithstanding any default on the part of Lessor (whether arising hereunder or under any other obligation of Lessor to Lessee), or to requires any such assignee to perform or observe any obligation of Lessor, any and all rights of Lessee so to do being hereby waived as to each such assignee.

(b) If Lessee fails to pay any rent or other amount due under this Lease or fails to comply with any of its agreements contained herein, Lessor or any such assignee may (but shall be under no obligation to) make such payment or comply with such agreement, without releasing Lessee from any of its obligations hereunder, and the amount of any such payment and the reasonable expenses of Lessor or such assignee, as the case may be, incurred in connection with such payment or other action, together with interest thereon at the rate set forth in paragraph 2(d) (ii) above, shall be payable by Lessee, on demand, to Lessor or such assignee, as the case may be.

20. Quiet Enjoyment; Survival.

(a) As long as there shall be no Event of Default or Incipient Default hereunder, neither Lessor nor any person claiming through or under Lessor shall interfere with Lessee's right to quiet enjoyment and use of the Units during the Term therefor.

(b) Any other provision of this Lease to the contrary notwithstanding, it is hereby agreed that the representations, warranties and covenants of Lessee contained herein shall survive the expiration or termination of this Lease, to the extent required for the full performance and observance thereof, and that no such expiration or termination shall release Lessee from any then outstanding obligations or duties to Lessor hereunder.

(c) No obligation of Lessor to Lessee as to the Units shall survive the expiration or termination of this Lease, and, should Lessor permit the use of the Units beyond the Term, (i) the obligation of Lessee hereunder shall continue during such period of permissive use and (ii) no such permissive use shall be construed as a renewal of the Term with respect to the Units or as a waiver of any right, or as a continuation of any obligation, of Lessor hereunder, it being understood that Lessor may take possession of the Units, on reasonable notice and demand, at any time.

21. Miscellaneous. Nothing contained in this Lease shall be deemed to confer upon Lessee any right title or interest in and to the Units except as a lessee thereof. This Lease shall be binding upon and shall inure to the benefit of the parties hereto and, subject to paragraph 8(a) above, their respective successors and assigns.

Time is of the essence of this Lease. This Lease shall be governed by and

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construed in accordance with the laws of the State of Illinois. The invalidity of any provision of this Lease in any jurisdiction shall not render ineffective the remaining provisions hereof, nor shall any such invalidity render any such provision ineffective in any other jurisdiction. All computations of interest hereunder shall be based on a 360-day year of twelve 30-day months. All notices and other communications hereunder shall be in writing, shall be given by personal delivery or sent by certified mail, postage prepaid and return receipt requested, to the parties at their respective addresses set forth above (or such other addresses as they may specify) and shall be deemed effective when so delivered or mailed. The provisions of the Schedules are hereby incorporated into, and made a part of, this Lease as if set forth at length herein. Lessee agrees from time to time to execute and deliver such further documents and to perform such further acts as may reasonably be requested by Lessor in order to carry out and effectuate the purposes of this Lease. This Lease contains the entire agreement between the parties hereto and supersedes and cancels any prior agreements or understandings between them with respect to the subject matter hereof. This Lease may not be modified, terminated or discharged except by a written instrument signed by Lessor and Lessee. This Lease may be executed in any number of counterparts, all of which shall constitute one and the same instrument; provided that, for the purpose of any assignee of Lessor's interest perfecting its security under the Uniform Commercial Code, the copy hereof marked "Original" on the signature page shall be deemed an original.

IN WITNESS WHEREOF, the parties hereto hve executed this Lease as of the date first above written.

American Fletcher Leasing Corporation ("Lessor")

By

Title

*E. Sweet*  
*President & Treasurer*

(Corporate Seal)

Bangor and Aroostook Railroad Company ("Lessee")

By

Title

*Oswald Bridgman*  
*V.P. Finance & Asst. Clerk*

(Corporate Seal)

ACKNOWLEDGMENTS

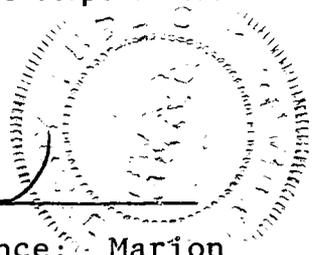
STATE OF Indiana )  
 ) ss:  
COUNTY OF Marion )

The foregoing instrument was acknowledged before me this 10th  
day of May, 1983, by E. Lowell Dinius  
of American Fletcher Leasing Corporation on behalf of the corporation.

*Camela Power*

Notary Public

My county of residence: Marion



My commission expires: 09/30/85

STATE OF MAINE )  
 ) ss:  
COUNTY OF PENOBSCOT )

The foregoing instrument was acknowledged before me this 5TH  
day of MAY 1983, by OWEN H. BRIDGEMAN of Bangor and  
Aroostook Railroad Company, a Maine corporation, on behalf of the corporation.

*Owen H. Bridgeman*  
Notary Public



My commission expires: June 25, 1985

Exhibit A  
to the  
Railroad Equipment Lease Agreement  
dated as of  
April 12, 1983  
between  
American Fletcher Leasing Corporation ("Lessor")  
and  
Bangor and Aroostook Railroad Company ("Lessee")

CERTIFICATE OF ACCEPTANCE  
UNDER RAILROAD EQUIPMENT LEASE AGREEMENT

To: American Fletcher Leasing Corporation (the "Lessor")

I, a duly appointed and authorized representative of Bangor and Aroostook Railroad Company (the "Lessee") under the Railroad Equipment Lease Agreement dated as of April 12, 1983 between Lessor and Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the following Units:

TYPE OF EQUIPMENT:

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

MARKED AND NUMBERED:

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

"TITLE TO THIS CAR IS SUBJECT TO DOCUMENTS FILED WITH THE INTERSTATE COMMERCE COMMISSION"

The execution of this Certificate will in no way relieve or decrease the responsibility of the Seller (as defined in the Hulk Purchase Agreement dated April 12, 1983 between Lessor and Lessee) or Rebuilder (as defined in the Reconstruction Agreement dated April 12, 1983 between Lessor and Lessee) for any warranties it has made with respect to the Units.

DATED: \_\_\_\_\_, 19\_\_\_\_

Inspector and Authorized Representative of Lessee

Equipment Schedule No. \_\_\_\_\_ (page 1 of 2)  
to the  
Railroad Equipment Lease Agreement  
dated as of April 12, 1983  
between  
American Fletcher Leasing Corporation ("Lessor")  
and  
Bangor and Aroostook Railroad Company ("Lessee")

Dated: \_\_\_\_\_, 19 \_\_\_\_\_

The following provisions are hereby incorporated by reference into, and constitute an integral part of, the above-described Railroad Equipment Lease Agreement (the "Lease"):

1. Description of the Units (see paragraph 1 of the Lease): the railroad boxcars described in Schedule A to this Equipment Schedule, purchased by Lessor pursuant to a Hulk Purchase Agreement, dated as of the date of the Lease (the "Hulk Purchase Agreement"), between Lessor and Lessee and reconditioned pursuant to a Reconstruction Agreement, dated as of the date of the Lease (the "Reconstruction Agreement"), between Lessor and Lessee, each of which has an estimated aggregate Purchase Price (as defined in the Hulk Purchase Agreement) and Reconstruction Cost (as defined in the Reconstruction Agreement) of Thirty Four Thousand One Hundred Seventeen Dollars (\$34,117.00).

2. Base Lease Commencement Date (see paragraph 2(a) of the Lease): January 1, 1984.

3. Facilities Charge (see paragraph 2(b) of the Lease): with respect to any Unit, an amount equal to the product of (i) 1/360th of (a) the annual interest rate that American Fletcher National Bank and Trust Company, Indianapolis, Indiana designates, from time to time, as its prime rate plus (b) one percent (1.0%) times (ii) the Purchase Price for such Unit times (iii) the number of days elapsed from and including the date of payment for such Unit pursuant to the Hulk Purchase Agreement to but excluding the date of acceptance of such Unit by Lessee under the Lease (as confirmed by a Certificate of Acceptance).

4. Interim Rent (see paragraph 2(b) of the Lease): with respect to any Unit, an amount equal to the product of (i) 1/360th of (a) the annual interest rate that American Fletcher National Bank and Trust Company, Indianapolis, Indiana designates, from time to time, as its prime rate plus (b) one percent (1.0%) times (ii) the aggregate of the Purchase Price and the Reconstruction Cost for such Unit, times (iii) the number of days elapsed from and including the date of acceptance of such Unit by Lessee under the Lease (as confirmed by a Certificate of Acceptance) to but excluding the Base Lease Commencement Date.

Equipment Schedule No. \_\_\_\_\_ (page 1 of 2)

to the  
Railroad Equipment Lease Agreement  
dated as of April 12, 1983

between  
American Fletcher Leasing Corporation ("Lessor")  
and  
Bangor and Aroostook Railroad Company ("Lessee")

5. Basic Rent Factor (see paragraph 2(b) of the Lease): 3.20105% of the aggregate of the Purchase Price and the Reconstruction Cost of all of the Units.

6. First Basic Rent Date (see paragraph 2(b) of the Lease): the Base Lease Commencement Date.

7. Stipulated Loss Value of a Unit (see paragraph 10(a) of the Lease): an amount determined as specified in Exhibit A hereto.

Capitalized terms used in this Equipment Schedule and not otherwise defined herein shall have the respective meanings specified in the Lease.

This Equipment Schedule is hereby accepted by:

American Fletcher Leasing Corporation ("Lessor")

By \_\_\_\_\_

(Corporate Seal)

Attest: \_\_\_\_\_

Title: \_\_\_\_\_

Bangor and Aroostook Railroad Company ("Lessee")

By \_\_\_\_\_

(Corporate Seal)

Attest: \_\_\_\_\_

Title: \_\_\_\_\_

1615D/07298A

psp

ACKNOWLEDGMENTS

STATE OF )  
 ) ss:  
COUNTY OF )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, by \_\_\_\_\_  
of \_\_\_\_\_, on behalf of the corporation.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF MAINE )  
 ) ss:  
COUNTY OF PENOBSCOT )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, by \_\_\_\_\_ of Bangor and  
Aroostook Railroad Company, a Maine corporation, on behalf of the corporation.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

Schedule A  
to the  
Equipment Schedule No. \_\_\_\_\_  
to the  
Railroad Equipment Lease Agreement  
dated as of April 12, 1983  
between  
American Fletcher Leasing Corporation ("Lessor")  
and  
Bangor and Aroostook Railroad Company ("Lessee")

DESCRIPTION OF UNITS

NUMBER OF  
UNITS

DESCRIPTION

Railroad boxcars marked and numbered  
as follows:

Exhibit A  
to the  
Equipment Schedule No. \_\_\_\_\_  
dated as of  
April 12, 1983

(page 1 of 2)

STIPULATED LOSS VALUE

The Stipulated Loss Value of a Unit, as of the date of Total Loss (as defined in paragraph 10(a) of the Lease) of such Unit, shall be an amount determined by multiplying the aggregate of the Purchase Price (as defined by reference in the Equipment Schedule) and the Reconstruction Cost (as defined by reference in the Equipment Schedule) for such Unit by the applicable percentage set forth below with respect to the period in which such Total Loss occurs:

<u>Interim Period or Quarterly Period</u>	<u>Percentage of Cost</u>
Interim Period	104.00
1	103.82
2	103.64
3	103.46
4	103.29
5	103.05
6	102.83
7	102.61
8	102.39
9	102.17
10	99.41

\* The Interim Period shall commence on the date of delivery of such Unit pursuant to the Lease and shall extend to but not include the Base Lease Commencement Date. The first quarterly period shall commence on the Base Lease Commencement Date and shall extend to, and shall include, the first quarter-anniversary of the Base Lease Commencement Date (i.e., the same numerical date in the third ensuing month); the second (and each subsequent) quarterly period shall commence on the day after such first (or next subsequent) quarter-anniversary and shall extend to, and shall include, the second (or next subsequent) quarter-anniversary of such date.

<u>Interim Period or Quarterly Period</u>	<u>Percentage of Cost</u>
11	99.33
12	99.16
13	98.87
14	95.67
15	95.16
16	94.53
17	93.77
18	90.11
19	89.12
20	88.01
21	86.90
22	82.96
23	81.77
24	80.54
25	79.30
26	78.03
27	76.71
28	75.34
29	73.97
30	72.55
31	71.09
32	69.58
33	68.05
34	66.48
35	64.85
36	63.18
37	61.49
38	59.75
39	57.95
40	56.10
41	54.23
42	52.30
43	50.31
44	48.26
45	46.19
46	44.06
47	41.87
48	39.61
49	37.33
50	34.98
51	32.57
52	30.09
53	27.57
54	24.98
55	22.32
56	20.00
57	20.00
58	20.00
59	20.00
60	20.00
Thereafter	20.00