

LAW OFFICES

ROSS & HARDIES

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

150 NORTH MICHIGAN AVENUE

CHICAGO, ILLINOIS 60601-7567

TELECOPIER  
312-750-8600

312-558-1000

WRITER'S DIRECT LINE  
(312) 760-8665

PARK AVENUE TOWER  
65 EAST 55TH STREET  
NEW YORK, NEW YORK 10022-3219  
212-421-5555

580 HOWARD AVENUE  
SOMERSET, NEW JERSEY 08873  
908-563-2700

866 SIXTEENTH STREET, N.W.  
WASHINGTON, D.C. 20006-4103  
202-296-8600

RECORDATION NO. 18646 X FILED 1425

SUSAN G. LICHTENFELDER JAN 7 - 1994 - 2 10 PM

January 6, 1994

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 18646 FILED 1425

JAN 7 - 1994 - 2 10 PM

INTERSTATE COMMERCE COMMISSION

**VIA FEDERAL EXPRESS**

Mr. Sidney L. Strickland, Jr.  
Secretary  
Interstate Commerce Commission  
12th Street and Constitution Avenue, N.W.  
Washington, D.C. 20423

Attention: Mrs. Mildred Lee, Room 2303

Dear Mr. Strickland:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303(a) is one original executed copy and two photostatic copies of the following:

Primary Document:

Locomotive Operating Lease Agreement dated as of September 17, 1993 between Precision National Corporation (Lessor) and Burlington Northern Railroad Company (Lessee), relating to the lease of seven SD-40 locomotives described on Schedule A to the Locomotive Operating Lease Agreement.

Secondary Document:

Assignment of Lease and Rents dated as of September 17, 1993 from Precision National Corporation (Debtor) to Deutsche Credit Corporation (Secured Party), relating to the seven SD-40 locomotives described in Exhibit A to the Assignment of Lease and Rents.

LICENSING BRANCH

JAN 7 2 04 PM '94

RECEIVED  
OFFICE OF THE  
SECRETARY

*Handwritten signature and initials*

01/06/94  
RHCH27:SLICHTE  
46075-1.1.TR

Interstate Commerce Commission  
January 6, 1994  
Page 2

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

Secured Party: Deutsche Credit Corporation *Deutsche*  
2333 Waukegan Road  
Deerfield, IL 60015

Debtor/Lessor: Precision National Corporation *Precision National*  
1100 Shawnee Street  
Mount Vernon, IL 62864

Lessee: Burlington Northern Railroad Company *Burlington*  
1600 Continental Plaza  
777 Main Street  
Fort Worth, TX 76102

A description of the locomotives covered by the enclosed documents is appended to this letter and is contained as an exhibit or schedule to each of the above-referenced documents.

Enclosed are two checks, each in the amount of \$18.00, payable to the order of the Interstate Commerce Commission, covering the required recordation fee for the above-described documents.

Please return the stamped original and one stamped photostatic copy of the enclosed documents and the stamped photostatic copy of this letter to Susan G. Lichtenfeld at Ross & Hardies, 150 North Michigan Avenue, Suite 2500, Chicago, IL 60601 or the bearer of this letter.

Very truly yours,

*Susan G. Lichtenfeld*  
Susan G. Lichtenfeld

SGL:ed  
w/encl.  
cc: Stephen P. Ordaz  
Robert W. Kleinman  
Donald C. Pasulka

7 SD40 Locomotives:

<u>Current Marks</u>	<u>Current Numbers</u>	<u>Previous Marks</u>	<u>Previous Numbers</u>	<u>Frame/Serial Numbers</u>
PN	3011	UP	3011	7865-12
PN	3013	UP	3013	7865-14
PN	3021	UP	3021	7995-2
PN	3026	UP	3026	7995-7
PN	3064	UP	3064	7932-17
PN	3065	PNL	3065	7932-18
PN	3107	PNC	3107	7324-25

**Interstate Commerce Commission**  
Washington, D.C. 20423

1/7/94

OFFICE OF THE SECRETARY

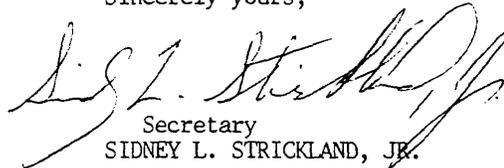
Susan G Lichtenfeld  
Ross And Hardies  
150 North Michigan Avenue  
Chicago, Illinois 60601- 7567

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 1/7/94 at 2:10pm, and assigned  
recording number(s).

18646 & 18646-A

Sincerely yours,

  
Secretary  
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

LOCOMOTIVE OPERATING LEASE AGREEMENT JAN 7 - 1994 - 2 10 PM

THIS LEASE, made and entered into as of this 17th day of September 1993, by and between Precision National Corporation, an Illinois corporation, hereinafter called 'Lessor', and the Burlington Northern Railroad Company, a Delaware corporation, hereinafter called 'Lessee'.

LESSOR AND LESSEE HEREBY AGREE AND COVENANT AS FOLLOWS:

1. LEASE:

Lessee agrees to lease from lessor the locomotives described in Schedule A hereto together with all replacement parts, additions, repairs and accessories incorporated therein and/or affixed thereto (the 'Locomotives') for use by Lessee in revenue service.

Lessee will cause the Locomotives to be kept numbered with the identification numbers set forth in **Schedule A** and will keep and maintain permanently and conspicuously marked on each side of each Locomotive, in letters not less than one inch in height, the words, with appropriate changes thereof as from time to time may be required by law, in the opinion of Lessor, in order to protect the Lessor's title to and interest Locomotive in operation or exercise any control or dominion over the same unless such words are so destroyed. Lessee will not change the identification number of any Locomotive unless and until a statement of the new number therefor is delivered to Lessor and filed in all public offices where this Lease may be filed.

Lessee will not allow the name of any person, association or corporation to be placed on any Locomotive as a designation that might be interpreted as a claim of ownership.

2. RENT/TERM:

- (a) Lessor shall deliver the Locomotives in good operating condition, and in compliance with all applicable rules and regulations as set forth by the Federal Railroad Administration (FRA). Rent with respect to each Locomotive shall commence when it is delivered to an interchange point on Lessee's lines designated by Lessor, and shall continue for the period stated in **Schedule B** hereto. The Daily Rental shall be determined in accordance with **Schedule B** hereto.
- (b) Delinquent installments of rent shall bear interest at the rate of 1-1/2% per month if not prohibited by law, otherwise at the highest lawful contract rate.
- (c) Lessee agrees to store all or any portion of the Locomotives in accordance with Lessor's Maintenance Instruction M.I 1726B, including but not limited to covering the exhaust stack, completely draining the water from the locomotive systems, and protecting the batteries from freezing, for a ninety (90) day period after termination of this Lease, at Lessor's request, free of any charge to Lessor.
- (d) Lessee shall not be entitled to any reduction of rent nor any setoff, counterclaim, recoupment or defense against rent or any other amount payable hereunder for any reason whatsoever, including, but not limited to, reductions, setoffs, counterclaims, recoupments or defenses due or

alleged to be due by reason of any past, present or future claims of Lessee against Lessor or any other person for any reason whatsoever, nor shall this Lease terminate nor the obligations of Lessee be otherwise affected by reason of any defect in the condition, design, operation or fitness for use of any Locomotive or damage to or loss of possession or use or destruction thereof from whatever cause and of whatever duration except as otherwise provided herein.

3. **WARRANTIES AND REPRESENTATIONS:**

Lessee acknowledges that Lessor has not knowledge or information as to the condition or suitability of the Locomotives for Lessee's purposes and Lessor's decision to enter into this Lease is made in reliance on Lessee's undertakings herein. LESSOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND RESPECTING THE LOCOMOTIVES, WHETHER STATUTORY, WRITTEN, ORAL OR IMPLIED, AND LESSOR HAS NOT MADE AND SHALL NOT BE DEEMED BY VIRTUE OF HAVING EXECUTED THIS LEASE TO HAVE MADE ANY REPRESENTATION OR WARRANTY AS TO THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF THE LOCOMOTIVES, ALL OF WHICH ARE EXPRESSLY DISCLAIMED AND LESSOR SHALL NOT BE LIABLE, IN CONTRACT, OR TORT BECAUSE OF ANY DEFECT WHETHER HIDDEN, LATENT, OR OTHERWISE DISCOVERABLE OR NONDISCOVERABLE RESPECTING ANY LOCOMOTIVE. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. Lessee further agrees, regardless of cause, not to assert any claim whatsoever against Lessor based thereon. Lessee further agrees, regardless of cause, not to assert any claim whatsoever against Lessor for loss of anticipatory profits or consequential damages.

4. **PAYMENT OF RENT:**

Lessee shall transfer funds in payment of the monthly rent to the following account (or third party if instructed to do so by Lessor) within thirty (30) days of receipt of an invoice therefor:

Precision National Corporation c/o Deutch Credit Corporation  
2 Peachtree Street Atlanta, Georgia  
ABA #061000010 Account # 17-143-108

5. **RECORDKEEPING; INSPECTION:**

Lessee agrees to keep and maintain and make available to Lessor for the duration of the lease term and any renewal terms, and for not less than six (6) months following the expiration of this Lease any and all records of Lessee's use, operation, inspection, repairs and maintenance of the Locomotives while subject to this Lease as shall be normally maintained by Lessee and such may be reasonably requested by Lessor. Lessee further agrees to send Lessor one copy monthly of Locomotive maintenance and repair records covering the Locomotives subject to this lease. Lessor's agents shall have the right at all reasonable times to go upon the property of Lessee to inspect the Locomotives.

6. **CASUALTY/CONDEMNATION:**

(a) Lessee shall notify Lessor in the event any Locomotive shall be lost, stolen, destroyed, irreparably damaged, permanently rendered unfit for use from any cause whatsoever, other than acts or omissions of Lessor (any such occurrence being hereinafter called a 'Casualty Occurrence'). On the payment date next following the date of any Casualty Occurrence, Lessee shall (i) pay to Lessor any unpaid rent due on or prior to such date, and (ii) either pay Lessor the Casualty Value of the Locomotive as stated in Schedule A hereto or by mutual agreement, replace such Locomotive with

another of like model, and condition with the same accessories free and clear of all liens and encumbrances.

- (b) Upon payment of any Casualty Value or delivery of any substitute Locomotive, the terms of this Lease shall no longer apply to the Locomotive which was the subject of such payment or substitution and title to and rights in such Locomotive shall thereupon vest in the Lessee; provided, however, the Lessor shall have the option, to be exercised within fifteen (15) days after any such payment or substitution by Lessee, to retain the subject Locomotive upon payment to Lessee of the scrap or salvage value thereof, to be determined by mutual agreement or, failing such agreement, by the average of the bids thereon by three independent parties. Lessee shall furnish Lessor with certificates or other evidence of compliance with this section 6 as may be reasonably required.
- (c) In the event that a Locomotive is taken or requisitioned by condemnation or otherwise by any governmental entity for a period which shall exceed the remaining term hereof, Lessor shall relieve Lessee from rental payments for such Locomotive effective with the date it was first requisitioned or condemned and settle with such governmental entity upon appropriate consideration for such taking. Lessee shall immediately pay over to Lessor any proceeds which it may receive in consideration of any such taking.

7. **INDEMNITY:**

Lessee agrees to indemnify, protect and hold harmless Lessor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, and reasonable expenses in connection therewith, including, but not limited to, reasonable counsel fees arising from; (a) Lessee's failure to promptly perform any of its obligations under Sections 2, 6, 8 or 16 hereof, or (b) injury to persons or property resulting from or based upon the actual or alleged use, or transportation of any Locomotive hereunder, or (c) any repair, servicing or adjustment of any Locomotive or any delay in providing or failure to provide any thereof, or (d) any interruption of service or loss of business. Lessee shall also, at its own cost and expense, defend any and all suits which may be brought against Lessor upon any such liability or claim and shall satisfy, pay and discharge any and all judgments and fines that may be recovered against Lessor in any such action provided Lessor gives Lessee written notice of any such claim or demand. Lessee shall not be required to indemnify Lessor for any loss, liability or expense resulting from the or breach of any repair obligation of Lessor hereunder or gross negligence or willful misconduct of Lessor or from claims for strict liability in tort. The indemnities arising under this section shall continue in full force and effect notwithstanding the full payment of all other obligations hereunder or the expiration or termination hereof.

Lessee agrees to prepare and deliver to Lessor, upon request and within a reasonable time prior to the required filing date (or to the extent permissible, file on behalf of Lessor) any and all reports (other than tax returns) to be filed by Lessor with any regulatory authority by reason of Lessor's ownership or lease of the Locomotives.

8. **COMPLIANCE WITH LAW - REPAIR AND MAINTENANCE:**

Lessee shall comply with all applicable FRA requirements, the interchange rules of the Association of American Railroads and all other applicable governmental laws, regulations and requirements with respect to the use,

maintenance and operation of the Locomotives during this Lease. Lessee shall use the Locomotives only in the manner for which they are designed and intended, so as to subject them only to ordinary wear and tear. Nothing contained herein shall be construed as requiring the Lessee to make modifications, alterations, or additions to or removal from the Locomotive, in order to comply with applicable laws and regulations.

The respective obligations of the parties for maintenance of the Locomotives are set forth in **Schedule C**. Except for Lessor's obligations thereunder, nothing shall be construed to limit the obligation of Lessee, at its own cost and expense, to maintain and service the Locomotives in accordance with prudent industry practice and applicable manufacturer recommendations so that they will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with all applicable laws and regulations, and (c) suitable for immediate use in line-haul service. The Locomotives shall be maintained or scheduled for maintenance on a basis equivalent to Lessee's customary maintenance schedule for similar equipment. Any parts installed or replacements made by Lessee upon the Locomotives shall be considered accessions to the Lessor; any failed or worn parts removed by Lessee in connection with any of the foregoing activities become Lessee's property, provided, however, that Lessee may remove from the Locomotives any communications, train control, telemetry, recording and other specialized equipment, which Lessee paid for and installed, but only if such removal may be accomplished without damage to the Locomotives.

9. **NO PURCHASE OPTION: DELIVERY of LOCOMOTIVES to LESSOR;**

Lessee has no option to purchase the Locomotives. Upon any termination of this Lease or at the end of any term of free storage that may be requested by Lessor as provided in Section 2 hereof, Lessee shall deliver the Locomotives to an interchange point on Lessee's property designated by Lessor. The Locomotives are to be clean and in good operating order, with no FRA defects and in such condition that the Locomotive would be acceptable in every respect for immediate operation on, or sale or lease to, a Class I line-haul railroad (not then or prospectively a debtor in any insolvency, bankruptcy or reorganization proceedings).

10. **ASSIGNMENT BY LESSEE:**

Lessee shall not assign or sublet its interest under this Lease, or any part hereof, or permit the use or operation of the Locomotives by any other person, firm or corporation without the prior written consent of Lessor. Lessor expressly consents to incidental operation and use on railroads other than the Lessee's under standard run through arrangements provided, however, that a Locomotive may not be so operated or used outside the United States.

**Locomotives may be operated in Canada if Lessee makes all filings with Canadian national, provincial and local governmental entities necessary to protect Lessor's ownership interest in the Locomotives. Lessee agrees to take no action to jeopardize Lessor's ownership interest and to indemnify Lessor against any increased cost, expense, liability, or claim, including taxes, that may arise because of such use in Canada.**

Notwithstanding any assignment or sublet as provided in this Section, Lessee shall not be relieved of its obligations hereunder without the written consent of the Lessor.

11. **ASSIGNMENT BY LESSOR:**

Lessor may at any time assign its rights and obligations hereunder. In such event Lessor's assignee shall have, to the extent provided in the assignment, the rights, powers, privileges and remedies of Lessor hereunder; provided, however, that no assignment shall relieve Lessor of its obligations under Schedule C.

12. **NOTICES:**

Unless otherwise specifically provided, any notices to be given under this Lease or any other communications between the parties shall be given by certified mail, postage prepaid in the following manner:

(a) Notices from Lessor to lessee shall be sent to:

Burlington Northern Railroad Company  
1600 Continental Plaza  
777 Main Street  
Fort Worth, Texas 76102  
Attention: Director Locomotive Management

or other address that Lessee may indicate by written notice to Lessor.

(b) Notices from Lessee to Lessor shall be sent to:

Precision National Corporation  
1100 Shawnee Street  
Mt. Vernon, Illinois 62864

13. **QUIET ENJOYMENT:**

So long as Lessee complies with the terms and provisions hereof, Lessee shall be entitled to the use and possession of the Locomotives according to the terms hereof without interference by the Lessor or by any party lawfully claiming by or through the Lessor.

14. Lessor may, at its option, require Lessee to file this Lease with the Interstate Commerce Commission and elsewhere to protect Lessor's title to the Locomotives. Lessee will, from time to time, execute, acknowledge and deliver to Lessor any and all further instruments reasonably requested by Lessor, for the purpose of protecting Lessor's title to the Locomotives.

15. **TAXES:**

Lessee or Lessor at Lessee expense, shall report, pay and discharge when due all license and registration fees, assessments, use and property taxes, gross receipts taxes arising out of this Lease, including without limitation amounts payable under Sections 2, 6, 7, 14 or 18 hereof, and other taxes (excluding any tax measured by Lessor's net income), together with any penalties or interest thereon, imposed by any governmental authority upon the Locomotives, whether or not the same shall be assessed against or in the name of Lessor or Lessee.

16. **PERFORMANCE OBLIGATIONS OF LESSEE BY LESSOR:**

In the event that Lessee shall fail duly and promptly to perform any of its obligations hereunder, the Lessor may, at its option, perform same for the account of Lessee without thereby waiving such default. Any amount paid or

expense (including reasonable attorneys' fees), incurred by the Lessor in such performance, together with interest at the lesser of 1-1/2% per month or the highest amount allowed by law thereon until paid, shall be payable by the Lessee upon demand as additional rent hereunder.

17. **LESSEE'S COVENANTS:**

Lessee will, during the term of this Lease: (a) defend at Lessee's own cost any action, proceeding or claim affecting the Locomotives; (b) do everything necessary or expedient to preserve or perfect the Lessor's interest in the Locomotives; (c) not misuse, fail to maintain, secrete, sell, rent, lend, encumber or transfer the Locomotives, except as provided in Section 10 hereof; and (d) permit Lessor to enter upon Lessee's premises or wherever the Locomotives may be located at any reasonable time and upon reasonable notice to inspect the Locomotives. The provisions of this Section shall survive the termination of this Lease.

18. **DEFAULT:**

(a) An event of default shall occur if Lessee:

- (i) fails to pay when due any installment of rent and such failure continues uncured for ten (10) days after written notice thereof to Lessee by Lessor;
- (ii) fails in any of its obligations hereunder and such failure continues uncured for fifteen (15) days after written notice thereof to Lessee by Lessor;
- (iii) ceases doing business as a going concern;
- (iv) files a voluntary petition in bankruptcy or files a petition seeking reorganization, composition, readjustment, liquidation, dissolution or similar arrangement or files an answer admitting the material allegations of a petition filed against it for such purpose.
- (v) consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of any substantial part of its assets;
- (vi) attempts to remove, sell, transfer, encumber, part with possession or sublet any Locomotive or any part thereof in a manner prohibited hereunder.

(b) Upon the occurrence or an event of default, Lessor, at its option, may;

- (i) declare all sums due and to hereunder immediately due and payable;
- (ii) proceed by appropriate court action to enforce performance by the Lessee of any and all covenants hereof and to recover damages for the breach thereof;
- (iii) demand that Lessee deliver the Locomotives forthwith to Lessor at Lessee's expense at such place as Lessor may designate; or
- (iv) without notice or legal process, enter into any premises of or under control of Lessee or any agent of Lessee where any Locomotive may be and retake all or any item thereof, in accordance with applicable law, Lessee hereby expressly waiving all further rights to possession of the Locomotives and all claims for damages related to any such retaking.

- (c) If any statute governing any proceeding hereunder specifies the amount of Lessor's deficiency or other damages for breach of this Lease by the Lessee, Lessor shall be entitled an amount equal to that allowed under such statute.
- (d) Lessor's remedies hereunder shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. Lessee hereby waives: (i) any requirements of law which might limit or modify the remedies herein provided, and (ii) any claim to any right of offset against the rental payments due hereunder. Lessor shall, moreover, be entitled to all rights provided for in any bankruptcy act, including the right to take possession of any Locomotive upon any event of default hereunder, regardless of whether Lessee is in reorganization.
- (e) No failure or delay by Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

19. **CHOICE OF LAW :**

This Lease shall be governed in all respect by the Law of the State of Illinois and shall be deemed to be entered into in the State of Illinois:

20. **MISCELLANEOUS:**

- (a) All transportation charges associated with delivering and returning the Locomotives, shall be borne by Lessee.
- (b) If any part hereof is contrary to, prohibited by or deemed invalid under applicable laws or regulations of any jurisdiction, such provision shall be inapplicable and deemed omitted by shall not invalidate the remaining provisions hereof.
- (c) This Lease is irrevocable for the full term hereof.
- (d) This Lease and **Schedules A, B, and C** hereto constitute the entire agreement between the parties concerning the Lease of the Locomotives and no modification hereof shall be effective unless reduced to writing and signed by authorized representatives of the parties.

IN WITNESS WHEREOF the parties hereto intending to be legally bound thereby have executed this Agreement as of the date first above written.

Attest: *[Signature]*

Burlington Northern Railroad

By: *David C. Wilton*

Title: *Dir. Locomotive Mgmt.*

Attest: *[Signature]*

Precision National Corporation

By: *Dean Kenyon*

Title: PRESIDENT

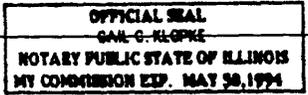
State of Illinois  
County of Cook

*Revised  
noted Kelly*

On this 21 day of September, 1993, before me personally appeared Dean Kezios, to me personally known, who, being by me duly sworn, did say that he is a representative of ~~Wisconsin Southern Railroad~~, that the instrument was signed on behalf of such 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 such corporation.

*Gail C. Klopke*  
\_\_\_\_\_  
Notary Public

My commission expires:



State of Texas  
County of Tarrant

On this 21<sup>st</sup> day of Sept 1993, before me personally appeared David Wolter, to me personally known, who, being by me duly sworn, did say that he is a representative of Burlington Northern Railroad Company, that the instrument was signed on behalf of such 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 such corporation.

*Lynnda M. Young*  
\_\_\_\_\_  
Notary Public

My commission expires:

9-30-96

SCHEDULE A

LEASED LOCOMOTIVES

Casualty Values

<u>Road Number</u>	<u>Model</u>	<u>Casualty Value</u>
PN 3011	SD40	\$250,000
PN 3013	SD40	\$250,000
PN 3021	SD40	\$250,000
PN 3026	SD40	\$250,000
PN 3064	SD40	\$250,000
PN 3065	SD40	\$250,000
PN 3107	SD40	\$250,000

SCHEDULE B

LEASE TERM, DAILY RENTAL RATE, AND OPTIONS

Lease Term

The lease term with respect to each Locomotive delivered pursuant to this Lease shall commence on September 19, 1993 and end August 31, 1994.

Rent

The daily rent for each Locomotive shall be as follows:

<u>Model</u>	<u>Daily Rent</u>
SD40	\$200.00

Rental Abatement

If during any one month calculation period the performance of this group of locomotives falls below the standard 60 days MTBUS, the Lessor will abate the rent for the number of days which the locomotive was unavailable for service. Any portion of a day constitutes a full day. If any locomotive is returned to the Lessor for repairs or any other reason, it will be removed from the MTBUS calculation, until returned to service.

Cancellation

The Lessee reserves the right to return any or all Locomotives, and cancel this Lease, if performance falls below the 60 MTBUS, and remains uncorrected, for a consecutive three month period.

## SCHEDULE C

Maintenance responsibilities for the Locomotives are as follows:

Lessee shall:

1. Comply with all safety and environmental regulations, directives and instructions of the FRA and all governmental authorities regardless upon who such requirements are, by their terms, nominally imposed, and keep the Locomotives in such compliance.
2. Be responsible for all material and labor required to perform:
  - (a) Scheduled and preventative maintenance in accordance with EMD Maintenance instructions including but not limited to M. I. 1740, and its supporting documentation.
  - (b) Failure repairs (other than those which are Lessor's responsibility as specified below).
  - (c) Wheel truing and replacement
  - (d) Replace lost or stolen parts.
3. Use its best efforts to purchase replacement materials from Lessor
4. Use fuel, lubricants, and coolant satisfying EMD Maintenance Instructions 1748, 1750, 1752, 1756 and 1764, and Lessee's maintenance schedules.

Lessor at its sole expense shall:

During the initial 12 months of this Lease, the Lessor will repair any major component failure which is not caused by improper use, modification or lack of preventative maintenance by Lessee. A major component failure is one involving the replacement or removal of:

- (1) The following engine components:
  - (i) Crankshaft
  - (ii) Turbocharger
  - (iii) More than four (4) Power Assemblies at one shopping
  - (iv) Engine gear trains
- (2) A Main Generator / Alternator
- (3) The following Traction Motor Components:
  - (i) Armature, Interpole, and/or main field coil grounds
  - (ii) Armature Bearing Failures
  - (iii) "Bird Nested" Armature
- (4) Any fire damage to control or hi-voltage wiring, requiring forty (40) man hours or more to repair.
- (5) A catastrophic failure of a Dynamic Braking System, i.e., a failure of all resistor grids and fans.
- (6) A catastrophic failure of the Air Compressor

In the event that the parties shall agree, the Lessee will perform any repair obligation of Lessor hereunder. In such event, Lessor shall provide all necessary parts to Lessee, free of charge and pay Lessee for all necessary labor at a rate of Fifty Dollars (\$50) per man hour.