

OBER, KALER, GRIMES & SHRIVER

ATTORNEYS AT LAW

120 EAST BALTIMORE STREET
BALTIMORE, MARYLAND 21202-1643

(410) 685-1120

FACSIMILE (410) 547-0699

CABLE "RITNEY"

TELEX 8-7774

EDWARD K. GROSS
DIRECT DIAL NUMBER
(410) 347-7367

OFFICES IN
WASHINGTON, D. C.
NEW YORK
NEW JERSEY

2-366A005

18076
RECORDATION NO. FILED 1420

DEC 31 1992-10 55 AM
INTERSTATE COMMERCE COMMISSION

December 31, 1992

VIA HAND DELIVERY

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

Dear Mr. Strickland:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303(a) is one original and one copy of the Equipment Lease and Lease Supplement No. 1 thereto, both dated as of December 4, 1992 (the "Lease"). The Lease is a primary document as defined in the Interstate Commerce Commission's Rules for Recordation of Documents.

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

Lessor: The First National Bank of Maryland
Transportation Division
25 S. Charles Street
Baltimore, Maryland 21201

Lessee: British Columbia Railway Company
221 West Esplanade
North Vancouver, British Columbia
V6B 4X6

RECEIVED
DEC 31 10 10 AM '92

0BER, KALER, GRIMES & SHRIVER

Mr. Sidney L. Strickland
December 31, 1992
Page 2

A description of the railroad equipment covered by the enclosed document is set forth in Schedule 1 attached hereto and made a part hereof.

Also enclosed is our check in the amount of \$16.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return a file-stamped copy of the enclosed document to Edward K. Gross, Esquire, Ober, Kaler, Grimes & Shriver, 120 East Baltimore Street, 9th Floor, Baltimore, Maryland 21202-1643.

A short summary of the enclosed primary document to appear in the Commission's Index is:

Equipment Lease and Lease Supplement No. 1 thereto, both dated as of December 4, 1992, by and between The First National Bank of Maryland, as Lessor, and British Columbia Railway Company, as Lessee, covering two hundred one (201) seventy-one (71) foot center beam bulkhead flat cars and two (2) seventy-three (73) foot center beam bulkhead flat cars now owned by the Lessor, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed on any item thereof which are or become the property of the Lessor pursuant to the terms of the Equipment Lease.

Very truly yours,



Edward K. Gross

EKG/dmd
Enclosures

SCHEDULE 1
(to Letter to S. L. Strickland
dated December 31, 1992)

DESCRIPTION OF ITEMS OF EQUIPMENT

Description and Mark and Number of Items of Equipment:

1. Two hundred and one (201) Seventy-one (71) foot center beam bulkhead flat cars
Seller: Northwestern Oklahoma Railroad Co.
Marks: BCIT 871000 through and including BCIT 871149, and BCIT 871200 through and including BCIT 871259 (excluding, however, BCIT 871005, BCIT 871030, BCIT 871034, BCIT 871073, BCIT 871079, BCIT 871094, BCIT 871104, BCIT 871219 and BCIT 871256)

2. Two (2) Seventy-three (73) foot center beam bulkhead flat cars
Seller: Northwestern Oklahoma Railroad Co.
Marks: BCIT 873950 and BCIT 873951

Interstate Commerce Commission

Washington, D.C. 20423

12/31/92

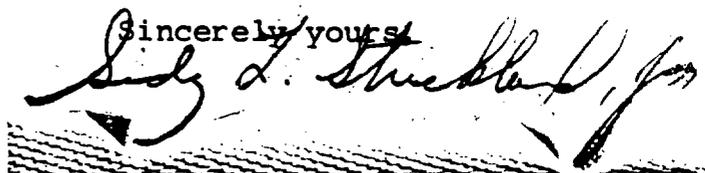
OFFICE OF THE SECRETARY

Edward K Gross
Ober, Kaler, Grimes & Shriver
120 East Baltimore Street
Baltimore, Maryland 21202-1643

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 12/31/92 at 10:55am, and assigned re-
recording number(s) 18076 & 18076-A

Sincerely yours,



Secretary

SIDNEY L. STRICKLAND, JR.

Enclosure(s)

DUPLICATE

EXECUTION COPY

18076

RECORDATION NO. FILED 1426

DEC 31 1992-10 55 AM

EQUIPMENT LEASE

INTERSTATE COMMERCE COMMISSION

Dated as of December 4, 1992

Between

THE FIRST NATIONAL BANK OF MARYLAND

LESSOR

And

BRITISH COLUMBIA RAILWAY COMPANY

LESSEE

201 71 FOOT 100-TON CENTER BEAM BULKHEAD FLAT CARS AND
2 73 FOOT 100-TON CENTER BEAM BULKHEAD FLAT CARS

FILED WITH THE INTERSTATE COMMERCE COMMISSION PURSUANT TO 49
U.S.C. §11303 ON JANUARY __, 1993 AT _____ .M., RECORDATION
NUMBER _____, AND DEPOSITED WITH THE OFFICE OF THE REGISTRAR
GENERAL OF CANADA PURSUANT TO §90 OF THE RAILWAY ACT OF CANADA ON
JANUARY __, 1993 AT _____ .M., RECORDATION NUMBER _____.

TABLE OF CONTENTS

	<u>PAGE</u>
SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.	1
1.1. Intent to Lease and Hire.	1
1.2. Inspection and Acceptance.	1
SECTION 2. RENTAL AND PAYMENT DATES.	2
2.1. Rent for Equipment.	2
2.2. Business Days.	2
2.3. Place and Manner of Rent Payment.	2
2.4. Net Lease.	3
SECTION 3. TERM OF THE LEASE.	4
SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.	4
4.1. Retention of Title.	4
4.2. Duty to Number and Mark Equipment.	4
4.3. Prohibition against Certain Designations.	4
SECTION 5. DISCLAIMER OF WARRANTIES; WARRANTY ASSIGNMENTS.	5
SECTION 6. LESSEE INDEMNITIES.	6
6.1. General Indemnity.	6
6.2. Tax Indemnity.	7
SECTION 7. RULES, LAWS AND REGULATIONS.	11
SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.	12
SECTION 9. LIENS ON THE EQUIPMENT.	13
SECTION 10. FILING.	13
SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.	14
11.1. Insurance.	14
11.2. Duty of Lessee to Notify Lessor.	16
11.3. Sum Payable for Casualty Loss.	16
11.4. Rent Termination.	16
11.5. Disposition of Equipment.	17
11.6. Casualty Value.	17
11.7. Risk of Loss.	17
11.8. Eminent Domain.	17

SECTION 12.	EQUIPMENT REPORTS.	18
12.1.	Duty of Lessee to Furnish.	18
12.2.	Lessor's Inspection Rights.	18
SECTION 13.	RETURN OF THE EQUIPMENT UPON EXPIRATION OF TERM.	18
SECTION 14.	DEFAULT.	19
14.1.	Events of Default.	19
14.2.	Remedies.	21
14.3.	Cumulative Remedies.	23
14.4.	Lessor Failure to Exercise Rights.	24
14.5.	Notice of Event of Default.	24
14.6.	Judgment Currency	24
SECTION 15.	RETURN OF EQUIPMENT UPON DEFAULT.	24
15.1.	Lessee's Duty to Return.	24
15.2.	Specific Performance.	25
15.3.	Lessor Appointed Lessee's Agent.	25
SECTION 16.	SALE OF EQUIPMENT; LESSOR ASSIGNMENTS OF LEASE.	25
SECTION 17.	ASSIGNMENTS BY LESSEE; USE AND POSSESSION.	27
17.1.	Lessee's Rights to the Equipment; Sublease.	27
17.2.	Use and Possession in Railroad Operations.	28
17.3.	Merger, Consolidation or Acquisition of Lessee.	29
SECTION 18.	OPTION TO PURCHASE.	29
18.1.	Option to Purchase.	29
18.2.	Delivery of Equipment.	30
SECTION 19.	FINANCIAL AND OTHER REPORTS AND RIGHTS OF INSPECTION.	30
SECTION 20.	MISCELLANEOUS.	31
20.1.	Notices.	31
20.2.	Right of Lessor to Perform.	32
20.3.	No Waiver.	32
20.4.	Execution in Counterparts.	32
20.5.	Law Governing and Submission to Jurisdiction.	33
20.6.	Currency.	33
20.7.	Headings and Table of Contents.	33
20.8.	Severability.	33
20.9.	True Lease.	33

20.10.	Interest on Overdue Rentals and Amounts	
	Advanced.	33
20.11.	Survival.	33
20.12.	Entire Agreement.	35

ANNEX I. DEFINITIONS

EXHIBIT A. LEASE SUPPLEMENT AND SCHEDULE 1 (DESCRIPTION OF ITEMS OF EQUIPMENT)

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of December 4, 1992 is between THE FIRST NATIONAL BANK OF MARYLAND, a national banking association (the "Lessor"), and BRITISH COLUMBIA RAILWAY COMPANY, a British Columbia corporation (the "Lessee").

RECITALS

A. Lessor has arranged to acquire the Items of Equipment from Sellers for the purpose of leasing the Items of Equipment to Lessee pursuant to this Lease.

B. The capitalized terms used in this Lease shall have the respective meanings indicated in Annex I hereto unless elsewhere defined herein.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. The Lessee shall lease and let and the Lessor shall hire to the Lessee each Item of Equipment for the rental and on and subject to the terms and conditions herein set forth. Notwithstanding anything in the Operative Agreements or elsewhere to the contrary, the Lessor's agreement to enter into the Lease and the Lease Supplement, and to lease the Equipment to the Lessee pursuant thereto are expressly subject to and conditioned upon (i) the Lessor's acquiring good and marketable title to the Equipment, free and clear of liens, claims and encumbrances (except for Lessee's rights under the Lease); and (ii) the fulfillment to the Lessor's satisfaction of all of the following: (A) the conditions precedent to the Lessor's acquisition of the Equipment, as may be mutually agreed upon by Seller and the Lessor, and (B) all such other conditions precedent made known by the Lessor to the Lessee prior to the effective date of the Lease Supplement.

1.2. Inspection and Acceptance. The Lessor will cause each Item of Equipment to be tendered to the Lessee. Upon such tender, the Lessee will cause its authorized inspector to inspect the same, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to evidence such acceptance and to effectuate this Lease, Lessee shall execute and deliver to the Lessor the Lease Supplement. The Lessee's execution and delivery of the Lease Supplement shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's or the Lessor's rights, if any against the Sellers, all such Items of Equipment described therein are acceptable to and accepted by the Lessee under this Lease as of the effective date referenced in the Lease Supplement, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that all such Items of Equipment 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, and all other Interchange Rules, if any.

SECTION 2. RENTAL AND PAYMENT DATES.

2.1. Rent for Equipment. The Lessee agrees to pay the Lessor the following rent for each Item of Equipment: (a) rent (the "Fixed Rent") shall be payable for the Base Term in 138 consecutive monthly installments, payable in advance on January 1, 1993 and on each Rent Payment Date thereafter in the amounts set forth in the Lease Supplement; and (b) any and all Additional Rent, promptly as the same shall become due and owing, and in the event of any failure on the part of the Lessee to pay any Additional Rent, the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Fixed Rent.

2.2. Business Days. If any Rent Payment Date is not a Business Day, the rent payment otherwise payable on such date shall be payable on the immediately following Business Day.

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

(a) The installments of Fixed Rent, the entire amount of any payments of Casualty Value or other payment pursuant to Section 11, any payment of the purchase price of the Equipment pursuant to Section 18, and any payment pursuant to Section 14, shall be paid to the Lessor by check mailed to the address of the Lessor provided for payments in Section 20.1 hereof, or upon Lessee's and Lessor's mutual agreement, by wire transfer pursuant to Lessor's written instructions; provided that in the event the Lessee shall have received notice pursuant to Section 16 that Lessor shall have assigned its rights to receive any of such payments to any Person, then the Lessee shall thereafter make such assigned payments by check mailed to such Person designated in such notice or as otherwise designated from time to time in writing by such Person;

(b) The amount of any payment owing to the Lessor pursuant to Section 6, shall be made directly to the Lessor by check mailed to the address of the Lessor provided for payments in Section 20.1;

(c) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 20.10 hereof and any amounts advanced pursuant to Section 20.2 and any interest thereon shall be paid to the party and in the manner herein provided to receive said rental or other amount by check

mailed as specified to such party as aforesaid or as instructed in writing by such party; and

(d) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same.

All payments made by the Lessee shall be made in United States dollars and effective upon receipt.

2.4. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Rent shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, the Lessee shall not be entitled to any abatement of Rent or reduction thereof or setoff against Rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16, other than claims arising under this Lease that are established by Lessee to Lessor's reasonable satisfaction as being valid and enforceable against Lessor; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of or requisitioning of the Equipment by condemnation or otherwise, the prohibition of Lessee's use of the Equipment, the interference with such use by any private Person, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Rent and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof; or until, pursuant to and in accordance with the terms of Section 13 or 15 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 16 for any reason whatsoever, unless Lessee's sole basis for recovery is that it has paid Lessor a rental installment due on a scheduled payment date as a result of Lessee's clerical error.

SECTION 3. TERM OF THE LEASE.

The base term of this Lease (the "Base Term") as to each Item of Equipment shall begin on January 1, 1993, which date is the effective date of the Lease Supplement (the "Base Term Commencement Date"), and shall terminate on June 30, 2004, subject to earlier termination pursuant to Sections 11 and 14.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

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

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with such road numbers as are set forth in Exhibit A hereto. At all times during the Term, the Lessee will cause each Item of Equipment to be marked, 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 Item of Equipment in letters not less than one inch in height as follows:

"TITLE TO THIS CAR 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 the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16. Except as provided hereinabove, the Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced, obliterated or destroyed. The Lessee will not change the road number of any Item of Equipment except in accordance with a statement of new road numbers to be substituted therefor, which statement previously shall have been delivered to the Lessor by the Lessee and filed, recorded or deposited (at Lessee's expense) in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition against Certain Designations. Except as above provided, the Lessee will not allow the name of any Person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee on railroad equipment used by it of the same or

a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES; WARRANTY ASSIGNMENTS.

(a) THE LESSEE ACKNOWLEDGES AND AGREES THAT (i) THE EQUIPMENT AND EACH ITEM THEREOF IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY AND ACCEPTABLE TO THE LESSEE, (ii) THE LESSEE IS SATISFIED THAT THE EQUIPMENT AND EACH ITEM THEREOF IS SUITABLE FOR ITS PURPOSES, (iii) THE LESSOR IS NOT A MANUFACTURER NOR A DEALER IN PROPERTY OF SUCH KIND, (iv) THE EQUIPMENT AND EACH ITEM THEREOF IS LEASED HEREUNDER SUBJECT TO ALL APPLICABLE LAWS AND GOVERNMENTAL REGULATIONS NOW IN EFFECT OR HEREAFTER ADOPTED AND IN THE STATE AND CONDITION WHEN THE SAME FIRST BECAME SUBJECT TO THIS LEASE, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND BY THE LESSOR, AND (v) AS BETWEEN THE LESSOR AND THE LESSEE, THE LESSOR LEASES THE EQUIPMENT AND EACH ITEM THEREOF, AS IS, WHERE-IS WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AND HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY, AS TO (A) THE TITLE, CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, DESIGN, DESCRIPTION, OPERATION OR MERCHANTABILITY THEREOF, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S QUIET ENJOYMENT THEREOF (EXCEPT FOR THE WARRANTY SET FORTH IN SECTION 17.1 HEREOF), (D) THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREOF OR CONFORMITY THEREOF TO SPECIFICATIONS, FREEDOM FROM PATENT, COPYRIGHT OR TRADEMARK INFRINGEMENT, THE ABSENCE OF ANY LATENT OR OTHER DEFECT, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. It is agreed that, as between the Indemnified Parties and the Lessee, all risks incident to the matters discussed in the preceding sentence are to be borne by the Lessee. The provisions of this Section 5 have been negotiated by the Lessor and the Lessee and are intended to be a complete exclusion and negation of any representations or warranties of the Indemnified Parties, express or implied, with respect to the Equipment or any Item thereof that may arise pursuant to any law now or hereafter in effect, or otherwise.

(b) Subject to the next following sentence, the Lessee hereby assigns to the Lessor all its rights with respect to the Equipment against the Sellers or any manufacturer or vendor, including, without limitation, all claims under any indemnities or warranties, whether for condition of goods, patent or otherwise, and any other rights arising under any purchase orders or agreements pertaining to the Equipment. The Lessor hereby re-assigns to the Lessee during the term of this Lease prior to any Event of Default, whatever claims and rights the Lessor may have as owner of the Equipment against the Sellers (solely as they relate to Lessee's leasehold interest); provided, however, upon the occurrence of a Default or Event of Default, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and

rights; and provided, further, that the Lessor may, but shall not be obligated to, proceed on its own behalf and at its own expense, against the Sellers.

(c) The Lessor shall have no responsibility or liability to the Lessee or any other Person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, use, loss of business or anticipated profits or consequential damages; (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment; or (v) any incidental or consequential damages. The Lessee's delivery of the Lease Supplement shall be conclusive evidence as between the Lessee and the Lessor that all Items of Equipment described therein are in all the foregoing respect satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

SECTION 6. LESSEE INDEMNITIES.

6.1. General Indemnity.

(a) The Lessee hereby agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless each Indemnified Party (on an After-Tax Basis) from and against any and all loss or damage to the Equipment, usual wear and tear excepted (taking into account the provisions of Section 7, 8 and 11), and any and all liabilities, obligations, losses, damages, penalties, claims (including claims by any employee of the Lessee or any of its contractors), actions, suits and related costs, expenses and disbursements, including reasonable legal fees and expenses, of whatsoever kind and nature (for purposes of this Section 6 collectively called "Expenses"), imposed on, asserted against or incurred by any Indemnified Party, in any way relating to or arising out of (i) the Operative Agreements, (ii) the manufacture, modification, acquisition, purchase, rejection, documenting, registration, reregistration, repair, storage, return, construction, installation, ownership, delivery, lease, possession, use, inspection (or failure to so inspect) operation or condition of the Equipment or any Item or part thereof (including, without limitation, latent and other defects, whether or not discoverable by the Indemnified Party or the Lessee, and any claim for patent, trademark or copyright infringement and all liabilities, obligations, losses, damages and claims in any way relating to or arising out of injury to Persons, properties or the environment or strict liability in tort or violations of any regulatory law or requirement), or (iii) the sale or return or other disposition of the Equipment or any Item thereof pursuant to Section 11, 14 or 18,

except only that the Lessee shall not be required to indemnify any Indemnified Party pursuant to this Section 6 for Expenses resulting from the willful misconduct or gross negligence of such Indemnified Party. If any Indemnified Party shall have knowledge of any claim or liability hereby indemnified against, it shall give prompt written notice thereof to the Lessee; provided, however, that the failure of such Indemnified Party to give such notice shall not relieve the Lessee of any of its obligations hereunder, except to the extent that such Indemnified Person's failure to give such notice to Lessee directly results in Lessee's being unable to defend any such claim or liability. So long as no Default or Event of Default has occurred and is continuing, the Lessee may, at its expense, in good faith and by appropriate legal proceedings, contest or defend an asserted claim or liability for which it is indemnifying under this Section 6.1 so long as (i) such defense is being diligently conducted by counsel of recognized reputation and (ii) Lessee has acknowledged its liability to such Indemnified Person under this Section 6.1(a) with respect to such claim or liability. Any dispute or claim or action in the name of the Lessor may be settled or otherwise finalized by Lessee only to the extent Lessee is entitled to contest or defend such claim or action pursuant to the preceding sentence. Notwithstanding anything herein to the contrary, (i) Lessee shall keep Lessor informed as to the progress of any contest or other defense and, if requested by Lessor in writing, shall consult in good faith with Lessor and its counsel and (ii) Lessor may at any time take over all rights and responsibilities with respect to the contest, defense, settlement or other disposition of any dispute, claim or action that is the subject of this indemnity so long as it waives its right to any indemnity payment by Lessee that would otherwise be payable by Lessee with respect to such dispute, claim or action.

(b) All amounts payable by the Lessee pursuant to this Section shall be payable directly to the parties entitled to indemnification. All the indemnities contained in this Section 6.1 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by, each Indemnified Party. The Lessee's obligations under this Section 6.1 shall be that of primary obligor irrespective of whether the Indemnified Party shall also be indemnified with respect to the same matter under any other agreement by any other Person. The indemnities and assumptions of liabilities set forth in this Section do not guarantee a residual value of the Equipment or any Item thereof.

6.2. Tax Indemnity.

(a) Except as otherwise provided in Section 6.2(b), the Lessee shall pay all required withholding taxes under the Income Tax Act of Canada in respect of the gross rental payable to the Lessor and shall offset the amount thereof against the rentals payable under this Lease Agreement. The Lessee shall provide an

annual verified statement of the amount of withholding tax paid in such tax year of the Lessor. All other payments to be made by the Lessee hereunder will be free of all withholdings of any nature (including withholding taxes, monetary transfer fees or similar taxes and charges but not including any such taxes or charges excluded from indemnification hereunder). The Lessee agrees to pay, and indemnify and hold each Indemnified Party harmless, on an After-Tax Basis, from any and all fees (including, without limitation, license, filing, recording, documentation and registration fees) and all taxes (including, without limitation, franchise taxes, but excluding withholding taxes payable under this Lease), assessments, rates and charges, excises, permit fees, inspection fees, levies, imposts, duties, charges or withholdings of any nature whatsoever, but excluding withholding taxes payable under this Lease, including, without limitation, sales, gross receipts, transfer, property, stamp, use or similar taxes, together with any penalties, fines or interest thereon (herein called "taxes or other impositions") imposed against any Indemnified Party, the Lessee, the Equipment or any Item or part thereof by any federal, state or local government or taxing authority in the United States or by any foreign country or subdivision thereof, or by any international organization, upon or with respect to the Equipment or any Item or part thereof, or upon the repair, abandonment, storage, rejection, condition, modification, maintenance, storage, subleasing, transfer of title, registration, transfer of registration, purchase, ownership, substitution, sale, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, the receipt of earnings arising therefrom, or upon or with respect to this Lease or upon the Rent or other sums payable by the Lessee hereunder or with respect to the other Operative Agreements, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to the transactions contemplated by the Operative Agreements (all such fees, taxes, assessments, rates and charges, excises, levies, imposts, duties, charges and withholding, and all penalties, additions to tax and interest imposed in connection therewith being hereinafter called "Taxes"); provided, however, that the foregoing indemnity shall not apply to (1) except as otherwise provided in Section 6.2(b), any income, franchise and capital taxes measured by gross or net income (including any minimum or alternative minimum income taxes and any income taxes on or measured by items of tax preference), gross receipts, capital or net worth (including, without limitation, any such taxes collected by withholding), other than taxes in the nature of or in lieu of sales, use or a similar type of taxes (hereinafter referred to as "Income Taxes") or (2) any Taxes which are not in the nature of or in lieu of sales, use, rental or excise taxes, assessments or other governmental charges relating to this Lease or to the Equipment, which in either case are imposed by (A) the United States federal government, or (B) any state, local or other taxing jurisdiction, including Canada and all of its provinces, in which the affected Indemnified Party maintains its principal office or principal place of business or a permanent establishment or in which the Indemnified Party is subject to taxes

by reason of activities wholly unrelated to the transaction contemplated by the Operative Agreements, or (3) any Taxes which are imposed in connection with the transfer of the Equipment to the Lessor.

(b) The Lessee represents and warrants to and covenants with the Lessor that:

(i) all of the Equipment is railroad cars which were first used, and which immediately prior to the commencement of this Lease were being used by Lessee, pursuant to that certain lease dated January 23, 1984, between Transportation Corporation of America as Lessor and British Columbia Railway Company as Lessee:

(ii) neither the Lessee nor any person will make any improvement, modification, or addition to any of the Equipment which is not readily removable without causing material damage to the Equipment;

(iii) the Equipment is not property which could be used only by the Lessee;

(iv) neither the Lessee nor any sublessee thereof will use the Equipment outside the United States for a period or periods which exceeds 182 days in any twelve-month period;

(v) the Lessee will not take any position on a U.S. Federal income tax return or, to the extent permitted by law, on any state or foreign income tax return that is inconsistent with the treatment of the Lessor as the owner of the Equipment;

(vi) within 30 days after the Lessor's written request, the Lessee shall provide (or cause any sublessee to provide) information with respect to the use of the Equipment within and without the United States during the preceding year, and such other information concerning the Equipment as the Lessor shall reasonably require in order to prepare its Federal and state income tax returns, provided that such information is (i) maintained by the Lessee (or sublessee) in the ordinary course of its trade or business, and (ii) then in existence and reasonably available to the Lessee (or sublessee).

If one or more of these representations or warranties is or shall be breached or incorrect, and solely as a result thereof the Lessor's liability for Income Taxes, other than withholding taxes, payable to any taxing authority for any period is increased, the Lessee shall indemnify the Lessor against such increased tax liability, and any interest, penalties, or other additions thereto, through such lump sum payments or adjustments to rent as are necessary to preserve the net economic return contemplated by the Lessor at the commencement of this Lease. If the increased liability for Income Taxes, other than withholding taxes, is attributable to a change in depreciation method from the modified

accelerated cost recovery system, using a recovery period of seven years, and solely results from the breach or incorrectness of one or more of the representations or warranties set out in Section 6.2(b), to the alternative depreciation system using a recovery period of 15 years, and the Lessee is not otherwise in default hereunder, Lessee shall indemnify Lessor by increasing each monthly installment of Fixed Rent hereunder by the lesser of the amount determined under the preceding sentence, or \$41 per car for each affected Item of Equipment for the balance of the Term. For greater certainty, any compensation for income taxes, other than withholding taxes, will take into account any benefit derived by the Lessor in subsequent year.

If solely as a result that the representation or warranty in Section 6.2(b)(iv) is or shall be breached or incorrect and as a result, the Lessor's liability for withholding taxes with respect to this Lease, payable to any taxing authority for any period is increased, the Lessee shall indemnify the Lessor against such increased tax liability, and any interest, penalties, or other additions thereto, through such lump sum payments or adjustments to rent as are necessary to preserve the net economic return contemplated by the Lessor at the commencement of this Lease. Provided, however, that any increased tax liability will take into account any credits available to the Lessor for any Canadian withholding taxes paid by the Lessor, or any Canadian withholding taxes paid by the Lessee on behalf of the Lessor.

(c) In the event any reports with regard to Taxes (other than Income Taxes) are required to be made with respect to the Equipment or any Items thereof, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such a manner as to show the interest of the Lessor and any other Indemnified Party therein as shall be reasonably satisfactory to each thereof or, where not so permitted, will, as soon as the Lessee has knowledge thereof, notify the Lessor and any other Indemnified Party of such requirement and will assist in preparation of such reports by the Lessor or any other Indemnified Party in such manner as shall be reasonably satisfactory to each thereof. Each Indemnified Party shall respond promptly to any reasonable request by the Lessee for information within such Person's control with respect to the preparation or filing of any report. Unless otherwise required by law the Lessee shall include the Equipment in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and, unless otherwise required by law, no Indemnified Party shall include the Equipment in any ad valorem or other similar tax returns filed by it in such states or localities.

(d) Notwithstanding anything to the contrary in Section 6.2(a), the actions or omissions of any Indemnified Party shall not, in any way, impair the right of any other Indemnified Party to indemnification for Taxes which, but for such actions or omissions, would be indemnifiable hereunder.

(e) Except as otherwise provided in Section 6.2 (b), payment shall be made by the Lessee no later than the date on which the Indemnified Party must pay such Taxes.

(f) All amounts payable by the Lessee pursuant to this Section 6.2 shall be payable directly to the Indemnified Party except to the extent paid to a governmental agency or taxing authority. All the indemnities contained in this Section 6.2 are expressly made for the benefit of, and shall be enforceable by, the Lessee and each Indemnified Party. The Lessee's obligations under this Section 6.2 shall be that of primary obligor irrespective of whether the Indemnified Party shall also be indemnified with respect to the same matter under some other agreement by another Person.

(g) If any claim is made against any Indemnified Party, by commencement of proceedings against the Indemnified Party or otherwise, for any Taxes as to which the Lessee would have an indemnity obligation pursuant to this Section 6.2, such Indemnified Party shall promptly notify the Lessee of such claim in writing; provided, however, that the failure of such Indemnified Party to give such notice shall not relieve the Lessee of any of its obligations hereunder except to the extent of actual prejudice resulting from such failure. So long as no Default or Event of Default has occurred and is continuing, the Lessee may, at its expense, in good faith and by appropriate legal proceedings, contest or defend an asserted claim or liability for which it is indemnifying under this Section 6.2 so long as (i) in the reasonable opinion of the Indemnified Party, such defense is being diligently conducted by Persons reasonably satisfactory to the affected Indemnified Parties and (ii) in the event the Lessor has assigned all or part of its right, title and interest to the Equipment in a transaction described in Section 16 hereof, the Lessor's assignee consents to the Lessee's conduct and control of the contest or defense of the asserted claim or liability; provided, however, that (i) the Lessee may only control such contest upon providing a letter of credit, bond or other security satisfactory in all respects to the Lessor to cover the potential Taxes involved in such contest, and (ii) if the contest relates to Income Taxes, the Lessor shall retain the right to control the contest in all respects, and shall consult with the Lessee with respect thereto. Notwithstanding anything in this Section 6.2 to the contrary, the Lessor need not permit a contest if the amount of Taxes that are the subject of the contest is not in excess of \$25,000.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation (including the rules and regulations of the Federal Railroad

Administration) and the Interstate Commerce Commission as the same may be in effect from time to time) and the Interchange Rules of the Association of American Railroads with respect to the use and maintenance of each Item of Equipment subject to this Lease. Notwithstanding the provisions of Section 8(b) and (c) below, in case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements and/or modifications at its own expense and title thereto shall be immediately vested in the Lessor.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

(a) The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Equipment shall not be used in any manner which is in violation of, or more hazardous than permitted by, the insurance maintained under Section 11. The Lessee agrees that it will not discriminate against any Item of Equipment (as compared to other similar equipment owned or leased by Lessee) with respect to its use, operation or maintenance in contemplation of the expiration or termination of this Lease.

(b) The Lessee shall, at its own cost and expense, maintain and keep the Equipment, each Item thereof, and the component parts thereof in good operating condition and repair (1) in accordance with prudent Class I Railroad industry maintenance practices, (2) in a manner consistent with maintenance practices used by the Lessee in respect of equipment owned or leased by the Lessee similar in nature to the Equipment, and (3) in compliance, in all material respects, with all applicable laws and regulations, including any applicable Interchange Rules; provided, that the Lessee shall comply in all respects with all applicable laws and regulations, including any applicable Interchange Rules, where noncompliance gives rise to fines, liens or criminal sanctions or impairs the function, value or utility of any Item of the Equipment or where such laws or regulations are related to safety matters. In any event the Lessee agrees, at its own cost and expense, to maintain and keep the Equipment in the condition received by the Lessee from the Lessor, ordinary wear and tear excepted, and suitable for the commercial use as originally designed and intended and prudent industry practice. The Lessee shall also perform all inspections of the Equipment and maintain all records, logs and other materials required by the Department of Transportation or any other governmental authority having jurisdiction over the Equipment or the Lessee to be maintained in respect of the Equipment.

(c) Except as otherwise required by the provisions of Section 7 hereof and except as permitted by the Lessor in writing prior thereto, the Lessee shall not modify any Item of Equipment. Lessor's giving or withholding of such permission shall take into

account, among other things, the effect of any such modification on the tax benefits, net economic yield and freedom from liability anticipated by the Lessor when entering into this Lease.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to any Item of Equipment, title thereto or any interest therein except Permitted Encumbrances and Liens which result from the Lessor's own acts or from claims against the Lessor not to be paid or indemnified against by the Lessee hereunder. The Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge any such Lien (and any claim which if unpaid might constitute or become such a Lien) not excepted above if the same shall arise at any time with respect to any Item of the Equipment, but the Lessee shall not be required to pay or discharge any such Lien so long as it shall in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or other rights of any assignee under Section 16 in and to the Equipment and as to which such Lien the Lessee, if appropriate under generally accepted accounting principles, shall have set aside on its books and records adequate reserves.

SECTION 10. FILING.

Prior to the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will (a) cause this Lease to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303, (b) cause this Lease to be deposited with the Registrar General of Canada pursuant to Section 90 of the Railway Act of Canada and cause notice of such deposit to be given in The Canada Gazette in accordance with said Section 90, and (c) file, register or record this Lease, and all financing and continuation statements and similar instruments, in such other places within the United States as the Lessor may reasonably request and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, re-register or re-record whenever required) any and all amendments or supplements to this Lease, or otherwise with respect to or including any other Operative Agreement, in connection with any assignment pursuant to Section 16 or otherwise, any financing statements or similar instruments, and any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to any Item of Equipment to the satisfaction of the Lessor's counsel or for the purpose of carrying out the intention of this Lease, including, without limitation, any such filings and recordings as shall be necessary to evidence any such change in name of the

Lessee, or any merger or consolidation thereof. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording, re-recording, publication or depositing and repositing of any such instruments or incident to the taking of such action.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance.

(a) Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, carry and maintain or cause to be carried and maintained (i) all risks property insurance with respect to each such Item equal to the then Casualty Value and (ii) comprehensive public liability insurance with respect to third party personal, bodily injury including death, property damage, liability, including contractual liability and cross liability, in such amounts of not less than \$40,000,000 per occurrence. In each case, all such insurance: (A) shall insure against such risks as the Lessor may reasonably specify from time to time, (B) shall be consistent with prudent railroad industry practice, (C) shall be in amounts not less than and insure against such risks so as to be no less protective than the insurance, if any, maintained by Lessee with respect to similar equipment which it owns or leases and (D) shall meet the requirements of Section 11.1(b). All such insurance shall be carried with insurance companies or insurers having all necessary power and authority to furnish the required coverage, and rated "A" or higher by A.M. Best Company Best's Insurance Guide and Key Ratings or otherwise be reasonably approved by the Lessor in the absence of such a rating.

(b) Such insurance policies shall: (i) name and insure the Lessor and each assignee under Section 16 and any other Indemnified Party as additional insureds under the comprehensive public liability insurance and, under the property insurance, shall insure the Lessor (or the assignee under Section 16 holding a first Lien on the Equipment) as sole loss payee, (ii) with respect to property insurance, provide insurer's waiver of its right of subrogation, set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability against Lessor and each assignee under Section 16, (iii) with respect to property insurance, provide that such insurance as to the interest of the Lessor and each assignee under Section 16 shall not be invalidated by any act or neglect, action or inaction of Lessee or any other Person (other than the Lessor and each such assignee), regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or any other Person (other than Lessor and each such assignee), (iv) with respect to property insurance, provide that all such insurance is primarily without right of contribution from any other insurance which might otherwise be maintained by the Lessor or any such assignee, (v) provide therein or by endorsement that thirty

(30) days prior written notice of expiration, cancellation or modification shall be given to the Lessor and each assignee under Section 16 and ten (10) days prior written notice of cancellation for monthly payment and (vi) provide that there is no recourse against Lessor or any assignee for payment of premium, commissions, direct calls, assessments or advances. Lessee shall furnish the Lessor and each assignee under Section 16 with certificates or other satisfactory evidence of maintenance of the insurance so required and shall furnish binders or other formal confirmation reasonably acceptable to the Lessor evidencing renewals thereof as soon as practicable but in no event later than five (5) Business Days prior to such renewal and certificates of insurance within thirty (30) days after such renewal is effected or the application date of the original policy or policies, as the case may be.

(c) Provided no Default or Event of Default shall have occurred and be continuing, the proceeds of any property insurance received by the Lessor or any assignee under Section 16 will be paid to the Lessee either (i) upon a written application signed by the Lessee to reimburse the Lessee for payment of the costs of repairing, restoring, or replacing the item of Equipment which has been lost, damaged or destroyed (which application shall be accompanied by satisfactory evidence of such cost and the completion of such repair, restoration or replacement) or (ii) if this Lease is terminated with respect to such Item of Equipment because of the total destruction thereof, promptly upon payment by the Lessee of the Casualty Value.

(d) (i) Lessee may self-insure against all of the risks of the loss of or damage to the Equipment for the full amount of the Casualty Value thereof; and (ii) Lessee may self-insure against all of the liability risks identified in clause (ii) of the first sentence of paragraph (a) of this Section 11.1 up to \$100,000,000, in the aggregate, for all claims relating to such risks, or such other amount that may be requested by either party, which request shall be reasonably responded to by the other party; provided, however, the Lessee agrees to obtain insurance against the loss of or damage to the Equipment, up to an amount, per item of Equipment, equal to the difference between (x) \$40,000 and (y) the settlement value thereof under Rule 107 of the Official Manual of the Interchange Rules Adopted by the Association of American Railroads, determined in accordance with the terms relating to physical damage insurance in this Section 11.1. In the event the Lessee self-insures pursuant to this Section, the Lessee shall submit thereafter such information, including financial statements, as the Lessor may reasonably request to renew such program.

11.2. Duty of Lessee to Notify Lessor. The Lessee shall maintain a reasonable, nondiscriminatory inspection schedule for each Item of Equipment. In the event that during the Term of this Lease, or thereafter while any Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof (i)

any Item of Equipment shall be or become lost or stolen for more than thirty (30) days, (ii) any Item of Equipment shall be or become destroyed, (iii) any Item of Equipment shall be or become in the reasonable opinion of the Lessee, irreparably damaged, (iv) any Item of Equipment shall be or become in the reasonable opinion of the Lessee, worn out, unless caused by Lessee's failure to maintain and return such Item as herein required, (v) title to any Item of Equipment shall be requisitioned or taken by any governmental authority under the power of eminent domain or otherwise, (vi) the use of any Item of Equipment shall be requisitioned or taken for a stated period, or such use has continued for a period, in excess of the lesser of the then remaining Term of the Lease or, in the case of a requisition or taking by a United States governmental authority, two (2) years, or any other governmental authority, six (6) months, (vii) the use of any Item of Equipment in the normal course of interstate rail transportation shall have been prohibited as a result of any rule, regulation, order or other action by a United States governmental authority for a continuous period in excess of the lesser of the then remaining Term of the Lease or six (6) months, or (viii) the Lessee is unable to return any Item of Equipment at the end of the Term of the Lease because such Item has been requisitioned or taken by any governmental authority (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully and in any event within thirty (30) days after it has knowledge of such Casualty Occurrence inform the Lessor and any assignee thereof pursuant to Section 16 in regard thereto and shall pay the Casualty Value of such Item in accordance with the terms of Section 11.3 hereof.

11.3. Sum Payable for Casualty Loss. The Lessee, on the Base Term Commencement Date or next succeeding Rent Payment Date or the last day of any storage period pursuant to Section 13 or 15 hereof, as the case may be, following its notice to the Lessor and each assignee thereof pursuant to Section 16 that a Casualty Occurrence has taken place with respect to any Item of Equipment (or if such notice is not given or is not timely given, then following the Casualty Occurrence; or if such event becomes a Casualty Occurrence by reason of the continuation of any such occurrence on the last day of the Term of the Lease, then on such last day of the Term of the Lease), shall pay to the Lessor (i) any Rent or other sum due on or prior to such date then remaining unpaid, and (ii) a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment.

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

11.5. Disposition of Equipment. Unless the Lessor shall be obligated to convey any Item or Items of Equipment having suffered

a Casualty Occurrence to any other Person, the Lessor shall convey such item or items of Equipment to the Lessee on an "AS IS", "WHERE IS" basis without representation or warranty, express or implied. Prior to the Lessor's so disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is to be paid as provided in this Section 11 (and not the date of the Casualty Occurrence). Casualty Value for each Item shall be equal to either (a) for the first 3 years of the Term, \$40,000 per item of Equipment or (b) thereafter the settlement value of such Item of Equipment as is specified for the applicable payment date in Rule 107 of the Official Manual of the Interchange Rules Adopted by the Association of American Railroads (the "Settlement Value"); provided that the Lessee's responsibility under clause (a) shall be limited to its paying the Lessor an amount equal to the Settlement Value of any such item of Equipment plus any insurance proceeds payable pursuant to the insurance coverage required in Section 11.1(d) of this Lease with respect to any Casualty Occurrence suffered by such item of Equipment.

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

11.8. Eminent Domain. In the event that during the Term of the Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period which has not yet become a Casualty Occurrence or for a stated period which does not constitute a Casualty Occurrence, the Lessee's obligation to pay all installments of Rent and other sums shall continue for the duration of such requisitioning or taking unless and until the same shall become a Casualty Occurrence (in which event the Lessee's obligations shall be subject to this Section 11). So long as no Default or Event of Default shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own' account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession (to the extent attributable to the Lessee's leasehold interest and

not the residual value of the Item of Equipment that has been so requisitioned or taken).

SECTION 12. EQUIPMENT REPORTS.

12.1. Duty of Lessee to Furnish. On or before May 1, 1993, and on each May 1 thereafter, the Lessee will furnish to the Lessor and each assignee pursuant to Section 16 an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the twelve (12) months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), describing the insurance which is in force with respect to the Equipment and such other information regarding the condition or repair of the Equipment as the Lessor or any such assignee may reasonably request.

12.2. Lessor's Inspection Rights. The Lessor and any assignee pursuant to Section 16 shall have the right, but not the obligation, on prior notice to the Lessee, and during normal business hours, at their respective sole cost, expense and risk except as provided below, by their respective authorized representatives, accompanied by an employee of the Lessee, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm continuance of this Lease.

SECTION 13. RETURN OF THE EQUIPMENT UPON EXPIRATION OF TERM.

(a) Within ten (10) days after the expiration of the Term of this Lease with respect to the Items of Equipment then subject to this Lease, the Lessee, at its own risk and expense, shall marshall and deliver possession of such Items of Equipment to the Lessor, at not more than two (2) locations as the Lessor and the Lessee shall agree (or in the absence of such agreement, at an appropriate location at Chicago, Illinois).

(b) Upon the return of the Equipment, Lessee shall at its own cost and expense have taken all necessary action to assure that each Item of Equipment shall be in the condition required by Sections 7 and 8 hereof, with no broken or missing parts. Lessee shall promptly upon demand pay such reasonable costs as shall be required to restore any Item of Equipment to the aforesaid redelivery condition, including the reimbursement of the Lessor of any such cost it shall incur to effect such restoration. The Lessor and the Lessee each agree, if requested by the other, that a representative thereof will perform jointly with the other an inspection of the Equipment, or an appropriate representative sampling thereof, to insure compliance with the provisions of this Section 13 at such time and location and following such reasonable

inspection standards as shall be mutually agreeable to the Lessor and the Lessee. Upon such redelivery of an Item of Equipment, the Lessee agrees to provide to the Lessor originals or legible facsimile copies of all manuals, drawings, diagrams, records, logs and other materials and inspection, modification, overhaul and maintenance records applicable thereto; provided that Lessee agrees to maintain all such materials in the same manner as it maintains the same for similar owned equipment. During any storage period hereunder, the Lessee will, at its expense, effect and maintain insurance on the Equipment pursuant to Section 11. During any such storage period, the Lessee shall maintain the Equipment in such manner as the Lessee normally maintains similar items of equipment owned or leased by it in similar storage circumstances.

(c) The assembling, delivery in the required condition, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver in the required condition, store and transport the Equipment. All amounts earned in respect of the Equipment after the date of expiration of this Lease shall belong to the Lessee so long as the Lessee meets its obligations in the next following sentence. In the event any Item of Equipment is not assembled, delivered in the required condition and stored as hereinabove provided on the date of expiration of this Lease, the Lessee shall pay to the Lessor, for the first thirty (30) days thereafter, an amount equal to the daily equivalent of the Fixed Rent payable over the Term, and for each day thereafter an amount equal to the greater of any damages Lessor may have or 150% of such Fixed Rent, in each case for such Item for each such day of non-compliance with the above requirement (provided, however, that payment of such amount by the Lessee to the Lessor shall not constitute a waiver by the Lessor of the Lessee's obligations pursuant to paragraphs (a) and (b) of this Section 13).

SECTION 14. DEFAULT.

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

(a) Default shall be made in the payment of any part of the Rent or Casualty Value provided in Section 2 or 11 hereof, or of any amount payable pursuant to the Tax Indemnity Agreement, and such default shall continue for five (5) days.

(b) The Lessee shall default in (i) the maintenance of the insurance coverage required by Section 11 hereof or (ii) the observance or performance of any covenant required to be observed or performed by the Lessee under Section 11 hereof; and any such

default shall continue for 10 days after Lessor's notice to Lessee thereof;

(c) The Lessee shall make or permit any sublease, assignment or transfer of this Lease, or of possession of any Item of the Equipment, not permitted by this Lease;

(d) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in any Operative Agreement (other than as described in paragraphs (a), (b) and (c) above), and such default shall continue for thirty (30) days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(e) Any representation or warranty made by the Lessee herein or in any Operative Agreement, or in any statement or certificate furnished to the Lessor or any assignee pursuant to Section 16 in connection therewith (other than any such statement or certificate delivered in connection with the Tax Indemnity Agreement) is untrue or incorrect in any material respect as of the date of issuance or making thereof;

(f) Final judgment or judgments for the payment of money aggregating in excess of \$40,000,000 shall be outstanding against the Lessee and such judgments have been outstanding for more than thirty (30) days from the date of its entry and have not been discharged in full or stayed;

(g) The Lessee (i) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or (ii) shall consent to any such relief or to the appointment of or taking possession by any such official in any voluntary case or other proceeding commenced against it, or (iii) shall make a general assignment for the benefit of creditors, or (iv) shall fail generally to pay its debts as they become due, or (v) shall take any corporate action to authorize any of the foregoing; or

(h) An involuntary case or other proceeding shall be commenced against the Lessee seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days.

(i) The Lessee's Net Worth shall be less than \$150,000,000.

14.2. Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default, and at any time thereafter, so long as the Lessee shall not have remedied all outstanding Events of Default (as to each Item of Equipment, prior to the Lessor becoming contractually obligated to sell or lease such Item of Equipment) the Lessor may do one or more of the following as the Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable laws then in effect:

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

(b) By notice in writing to the Lessee, cancel or terminate this Lease, whereupon all right of the Lease to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever;

(c) Sell any Item of Equipment at public or private sale, as the Lessor may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such sale or for the proceeds thereof (except to the extent required by paragraph (f) below if the Lessor elects to exercise its rights under said paragraph), in which event the Lessee's obligation to pay Fixed Rent with respect to such Item hereunder due for any periods subsequent to the day of such sale shall terminate (except to the extent that Fixed Rent is to be included in computations under paragraph (e) or (f) below if the Lessor elects to exercise its rights under either of said paragraphs);

(d) Hold, keep idle or lease to others any Item of Equipment or any part thereof, as the Lessor in its sole discretion may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds' with respect thereto, except that the Lessee's obligation to pay Fixed Rent with respect to such Item due for any periods subsequent to the date upon which the Lessee shall have been deprived of use of such Item pursuant to this Section 14 shall be reduced (but not below zero for any Fixed

Rent installment) by the net proceeds, if any, received by the Lessor from leasing such Item to any Person other than the Lessee;

(e) Whether or not the Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a), (b) or (d) above with respect to any Item of Equipment, the Lessor, by written notice to the Lessee specifying a payment date which shall be not earlier than ten (10) days after the date of such notice, may demand that the Lessee pay to the Lessor and the Lessee shall pay to the Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent for such Item of Equipment due after the payment date specified in such notice), any unpaid Rent for such Item of Equipment due for periods prior to the payment date specified in such notice plus whichever of the following amounts the Lessor, in its sole discretion, shall specify in such notice: (i) an amount equal to the difference between the present value of all future Fixed Rent for such Item and the present value of the Fair Rental Value (determined as hereafter in this Section 14 provided) of such Item or, if the Lessor has leased such Items to others pursuant to paragraph (d) above, for the period of such lease the rental payable thereunder, in each case for the remainder of the Base Term, as of the payment date specified in such notice, such present values, to be computed on the basis of a 6% per annum rate of discount from the respective dates upon which such Rent would be paid, or (ii) if the Lessor has not leased such Items to others pursuant to paragraph (d) above, an amount equal to the excess, if any, of the Casualty Value for such Item as of the Rent Payment Date next preceding the payment date specified in such notice or if such payment date occurs on a Rent Payment Date, then computed as of such Rent Payment Date, over the Fair Market Value of such Item (determined as hereafter in this Section 14 provided) as of the payment date specified in such notice;

(f) If the Lessor shall have sold any Item of Equipment pursuant to paragraph (c) above, the Lessor, in lieu of exercising its rights under paragraph (e) above with respect to such Item may, if it shall so elect, demand that the Lessee pay to the Lessor and the Lessee shall pay to the Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Fixed Rent for such Item due on Rent Payment Dates subsequent to the Rent Payment Date next preceding such sale), any unpaid Rent for such Item due for periods up to and including the Rent Payment Date next preceding the date of such sale and if that date is a Rent Payment Date, the Rent due on that date, plus the amount, if any, by which the Casualty Value of such Item computed as of the Rent Payment Date next preceding the date of such sale or if such sale occurs on a Rent Payment Date, then computed as of such Rent Payment Date, exceeds the net proceeds of such sale; and

(g) In the event the Lessor is unable to recover possession of any Item or Items of Equipment by practical means or

the Lessee refuses to return such Item or Items in accordance with Section 15, the Lessor in lieu of exercising its rights under paragraph (e) above: (i) may retain all Rent and additional sums theretofore paid by the Lessee or received by the Lessor in respect of such Item including any such Rent and additional sums then in the Lessor's possession which, had this Lease not been declared in default, would otherwise be payable to the Lessee hereunder, (ii) may recover from the Lessee all Rent and additional sums accrued and unpaid under any of the terms hereof as of the date of the declaration of default, and (iii) may transfer title to such Item to the Lessee by quit-claim bill of sale and recover from the Lessee as liquidated damages for loss of a bargain, but not as a penalty (in lieu of the Fixed Rent for such Item on Rent Payment Dates subsequent to the date of the declaration of default) an aggregate sum equal to the present value of (A) all Fixed Rent for such Item which would otherwise have accrued hereunder from the date of the declaration of default to the end of the Base Term or then Renewal Term, as the case may be, plus (B) the last Casualty Value payable during the term of this Lease, such present value to be computed on the basis of a 6% per annum rate of discount, from the respective dates upon which such Fixed Rent would have been payable hereunder had this Lease not be terminated.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Default or Event of Default or the exercise of the Lessor's remedies with respect thereto, including without limitation the repayment in full of any costs and expenses necessary to be expended in repairing or modifying any Item in order to cause it to be in compliance with all maintenance and regulatory standards imposed by this Lease.

For purposes of this Section 14.2, the Fair Rental Value and Fair Market Value for any Item of Equipment shall be determined on the basis of an appraisal of an independent appraiser chosen by the Lessor, based upon the criteria for establishing Fair Market Value and Fair Rental Value as may be determined by Lessor, in its sole discretion (but including the value which may be obtained from a used equipment dealer), and the cost of any such appraisal shall be borne by the Lessee.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. Except as otherwise expressly provided in Section 2.4 of this Lease, the Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments

due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf in connection with the lease of the Equipment.

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

14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor and any assignee pursuant to Section 16, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes a Default or an Event of Default under this Lease written notice specifying such condition and the nature and status thereof. For the purposes of this Section 14.5 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

14.6. Judgment Currency. If for obtaining judgment in any court it is necessary or advisable to the Lessor to convert any amount owed pursuant to this Lease into another currency, then such conversion shall be deemed to be made at the rate of exchange prevailing the day before the Lessor's action is brought into court with prime banks in the country of such court. If in such case, due to alterations of the exchange rate, the amount finally received by the Lessor shall be insufficient to cover the amount owed, then the Lessee shall pay to the Lessor the amount required to compensate for such deficiency; but, in no event, shall Lessee be required as a result hereof to pay to the Lessor an amount exceeding the amount owed under this Lease.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

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

(a) Forthwith deliver such Items to not more than two (2) storage locations as the Lessor and Lessee may mutually agree (or, if Lessee and Lessor do not agree to a delivery location, to an appropriate location in Chicago, Illinois);

(b) Permit the Lessor to store such Items for ninety (90) days after all such Items have been identified and so stored at such locations without charge for insurance, rent or storage, and during such period of storage the Lessee shall continue to

maintain all insurance required by Section 11.1 hereof and shall otherwise satisfy its obligations pursuant to Section 13 hereof; and

(c) Transport such Item one time to railroad interchange points in Chicago, Illinois, or to any railroad interchange point on the lines of a railroad operated by the Lessee, or such other interchange points as the Lessor and the Lessee may agree.

Each-such Item will, when placed in storage, be in the condition required by Sections 7 and 8 hereof. Lessee agrees that no Item shall be considered to have been returned under this Section 15 until Lessee has returned such Item in such condition.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

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

SECTION 16. SALE OF EQUIPMENT; LESSOR ASSIGNMENTS OF LEASE.

(a) Right to Assign. The Lessor may transfer and sell all or part of its right, title and interest in: (1) the Equipment to any Person so long as the Lessor shall either (i) concurrently therewith lease the Equipment from such transferee for a term not less than the remaining Term of this Lease, or (ii) arrange for an assumption by such transferee of all of the obligations of the Lessor hereunder; and (2) this Lease and all Rent and all other sums due or to become due hereunder may be assigned by the Lessor and/or by any such transferee to such transferee, and/or to a security trustee or other financial institution; all without the consent of the Lessee, but the Lessee shall be under no obligation to any such transferee or assignee except upon written notice of such transfer and/or assignment and any such transferee and/or assignee shall confirm in writing to the Lessee that so long as no Default or Event of Default shall have occurred and be continuing hereunder, such transferee and/or assignee will not interfere with Lessee's right of quiet enjoyment to the Equipment hereunder. Upon notice to the Lessee of any such assignment or

reassignment, the rent and other sums payable by the Lessee which are the subject matter of such assignment shall be paid to or upon the written order of the assignee.

(b) Obligation and Right of Assignee. Except in the event of an assumption pursuant to Section 16(a) (1) (ii), any assignee pursuant to this Section 16 shall not be obligated to perform any duty, covenant or condition required to be performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee and the Lessor each acknowledge and agree that notwithstanding any such assignment each and all of such duties, covenants or conditions required to be performed by the Lessor shall survive any such assignment and shall be and remain the sole liability of the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that, except as expressly provided for in Section 2.4 of this Lease, (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason or failure of or defect in the Lessor's title or the failure of the Lessor to afford the right of quiet enjoyment to the Lessee, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor. Notwithstanding any provision of this Lease to the contrary, the Lessee shall have the right to proceed against any assignee for any violation thereby of any rights of the Lessee hereunder.

(c) Amendments; Exercise of Rights and Remedies. In the event the Lessee shall have received written notice of one or more assignments pursuant to Section 16(a), the terms and provisions of such assignments shall govern as to whether (i) the consent or agreement of either the Lessor or one or more such assignees, shall be required in order to effect any amendment or modification of, or waive any requirements under this Lease, and (ii) the Lessor or one or more such assignees, may exercise any right, privilege or remedy of the Lessor provided for in this Lease.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment; Sublease. So long as no Event of Default shall have occurred and be continuing, Lessor agrees that it shall not interfere with the Lessee's possession and use of the Equipment in accordance with the terms of the Lease; but, without the prior written consent of the Lessor, THE LESSEE OR ANY SUBLESSEE SHALL NOT ASSIGN, TRANSFER OR ENCUMBER ITS LEASEHOLD INTEREST (OTHER THAN TO GRANT A COLLATERAL ASSIGNMENT OF THIS LEASE FOR SECURITY TO LESSEE'S LENDERS) UNDER THIS LEASE OR ANY SUBLEASE IN RESPECT OF THE EQUIPMENT. The Lessee shall not, without the prior written consent of the 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 Item of Equipment (a "Permitted Sublease"). Notwithstanding the foregoing, Lessee may sublease any Item of Equipment, or assign all of its rights and obligations under the Operative Agreements, to Lessee's Affiliate without Lessor's consent subject to the following: (A) with respect to any sublease: (1) the term (including any option of the sublessee to renew or extend) of any such sublease does not continue beyond the end of the then existing Term, (2) such sublessee is prohibited from sub-subleasing an Item of Equipment or otherwise assigning, granting, delegating or transferring any of its rights, obligations or interests with respect thereto or under the sublease, (3) the sublease is expressly and effectively subject and subordinate to all of the terms of this Lease, and to Lessor's rights, powers or remedies hereunder, including Lessor's right to terminate and avoid such sublease and to recover the Items of Equipment from Lessee, (4) (x) no Event of Default has occurred and is continuing hereunder and (y) such sublessee is not on the effective date of such sublease in default thereof in any material respect, with or without giving of notice or passage of time, (5) the terms and conditions of any such sublease are substantially the same as this Lease in all material respects (except for the amount of rents charged thereunder and the prohibition referenced in clause (2) above), (6) Lessee provides Lessor with the only manually executed original of such sublease and all such other documents, agreements, instruments, opinions and certificates, and takes such other actions, to preserve, establish and/or evidence Lessor's rights, title and interests in, under and to the Equipment, the Lease and/or the sublease, all to the extent reasonably requested by Lessor and at Lessee's sole cost and expense and (7) such sublessee is not insolvent and remains Lessee's Affiliate at all times during the term of the sublease; and (B) with respect to any such assignment, (1) such assignee is prohibited from subleasing, assigning, granting, delegating or transferring any of its rights, obligations or interests under the Operative Agreements, either to the Lessee or to any other Person, and the Lessee agrees that any attempted sublease, assignment, grant, delegation or transfer by such assignee shall be void ab initio, as both parties agree (and any assignee by its assumption, in whole or in part, of this Lease agrees) that any of the

foregoing actions would, unless consented to by the Lessor, materially prejudice the Lessor's rights and remedies under the Operative Agreements, (2) (x) no Event of Default has occurred and is continuing hereunder and (y) such assignee is not on the effective date of such assignment in default of the terms of this Lease, (3) such assignee provides Lessor with (x) a duly executed and delivered assumption agreement thereby fully assuming, on a joint and several basis with Lessee, all of Lessee's obligations under the Operative Agreements, and including such other terms and conditions as may be required by Lessor and (y) such other documents, instruments and filings, and take all actions, deemed appropriate by Lessor to preserve, establish and/or evidence Lessor's rights, title and interests in, under and to the Equipment, all at Lessee's sole cost and expense, and (4) such assignee is not insolvent and remains Lessee's Affiliate at all times during the Term. Lessor's giving or withholding of its consent shall take into account, among other things, the creditworthiness of the proposed sublease and the terms of the proposed sublease, which shall in any event be subject and subordinate to each and every term, condition and provision of this Lease. No sublease or assignment, whether or not a Permitted Sublease or an assignment permitted hereunder, shall in any way discharge or diminish any of the Lessee's obligations hereunder, and the Lessee shall (i) in the case of any sublease, remain primarily liable hereunder for the performance of all the terms, conditions and provisions of the Operative Agreements to the same extent as if such sublease had not occurred, or (ii) in the case of any assignment, as between Lessee and Lessor, remain primarily liable for the performance of all the terms, conditions and provisions of the Operative Agreements to the same extent as if such assignment had not occurred.

17.2. Use and Possession in Railroad Operations. The Lessee shall use the Equipment upon the lines of railroad owned or operated by it, or upon lines of railroad over which the Lessee has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract or upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through or pooling arrangements, but only upon and subject to all the terms and conditions of this Lease. The Items of Equipment shall be used only to transport forest products, and in no event shall the Items of Equipment be used to transport any substances deemed hazardous under any applicable law. Notwithstanding the foregoing, the Lessee shall at no time throughout the Term of this Lease use the Equipment outside the continental United States, Canada, and Mexico or assign or permit the assignment of or permit any sublessee, whether or not a Permitted Sublessee, to assign or permit the assignment of, any Item of Equipment for use in service (including, without limitation, the regular operation or maintenance thereof) outside the continental United States, Canada and Mexico; provided, however, that any such use in Canada and Mexico shall be on an incidental and temporary basis only and in any event, Lessee agrees

that all Items of Equipment, whether or not subleased, shall not be used outside of the United States for more than one hundred eighty-two (182) days during any twelve (12) month period during the Term.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired all or substantially all of the property of the Lessee, and the Lessee may merge or consolidate with any other corporation or transfer all or substantially all of its property to any corporation, provided that (a) such corporation shall have duly and effectively assumed in writing the obligations of the Lessee hereunder and under each other Operative Agreement, pursuant to terms and conditions reasonably acceptable to Lessor, (b) immediately prior to and after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing hereunder and (c) immediately after giving effect to such transaction the resulting corporation shall have a financial condition which, in the reasonable judgment of the Lessor and any assignee pursuant to Section 16, will not impair the ability of the surviving entity to perform the obligations of the Lessee hereunder and under the other Operative Agreements.

Anything in the first paragraph of this Section 17.3 to the contrary notwithstanding, the Lessee agrees that it will not, without the prior written consent of the Lessor and any assignee pursuant to Section 16, merge or consolidate with, or sell, lease or otherwise dispose of all or substantially all of its assets, unless either:

(1) at the time thereof, the Fair Market Value of all of the Items of Equipment then subject to this Lease shall equal not less than 120% of the Casualty Value of such Items as of the next preceding Rental Payment Date, or

(2) Immediately after effecting such merger, consolidation, sale, lease or other disposition, the Net Worth of the surviving corporation shall not be less than \$150,000,000.

SECTION 18. OPTION TO PURCHASE.

18.1. Option to Purchase. So long as no Default or Event of Default has occurred and is continuing, the Lessee shall have the right upon no more than eighteen (18) and no less than twelve (12) months prior written notice to the Lessor, to purchase all, but not less than all, of the Items of Equipment then subject to this Lease on the date of the expiration of the Base Term, for the Purchase Option Price.

18.2. Delivery of Equipment. Unless the Lessee has elected to exercise its option to purchase the Items of Equipment then leased hereunder as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of the Base Term in accordance with Section 13 hereof.

SECTION 19. FINANCIAL AND OTHER REPORTS AND RIGHTS OF INSPECTION.

The Lessee agrees that it will furnish directly to the Lessor, in duplicate, the following:

(a) As soon as available and in any event within 60 days after the end of each quarterly period, except the last, of each fiscal year, the consolidated balance sheet of the Lessee and its Subsidiaries as at the end of such period, in each case together with the related consolidated statements of income, stockholders' equity and cash flow of the Lessee and its Subsidiaries for the period beginning on the first day of such fiscal year and ending on the last day of such quarterly period, setting forth in each case in comparative form the figures for the corresponding periods of the previous fiscal year, all in reasonable detail and certified by the Chief Financial Officer of the Lessee;

(b) As soon as available and in any event within 120 days after the last day of each fiscal year, a copy of the Lessee's annual audited report covering the operations of the Lessee and its Subsidiaries, including the consolidated balance sheet and related consolidated statements of income, stockholders equity and cash flow of the Lessee and its Subsidiaries for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, which statements will have been prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards certified by a firm of independent public accountants of recognized national standing selected by Lessee;

(c) Upon any responsible officer of Lessee becoming aware that a Default has occurred under the Lease or that a default has occurred under any sublease, as the case may be, Lessee shall immediately disclose to Lessor in a certificate, signed by the Chief Financial Officer or similar officer, the nature thereof and the nature of the action the Lessee is taking or proposes to take with respect thereto. In addition, the Lessee promptly shall notify the Lessor upon the occurrence of any default (or event which, with the giving of notice or the passage of time, or both, would constitute a default) under any material obligation for borrowed money or lease of capital equipment; both parties agree that an obligation shall be "material" if, upon default, the amount due thereunder by acceleration or otherwise is \$25,000,000.

(d) Such additional information (including financial information) reasonably related to the transactions contemplated hereby as the Lessor may reasonably request concerning the Lessee.

Upon reasonable prior notice to Lessee, the Lessee agrees to permit the Lessor (or such Persons as the Lessor may designate) at Lessor's sole cost, expense and risk to visit and inspect, under the Lessee's guidance, the Equipment, and on the occurrence of a Default or Event of Default which shall be continuing, to examine the books and records of the Lessee and at any time during normal business hours to discuss the Lessee's affairs, finances and accounts with the Lessee's officers, employees and independent public accountants (and by this provision the Lessee authorizes said accountants to discuss such finances, affairs and accounts), all at such reasonable times and as often as the Lessor may reasonably desire.

The Lessor shall treat, and shall require such other Person to treat, all such information as confidential; provided, however, that such obligation shall not apply to any information which (i) has become available to such party from a source other than the Lessee or Lessee's independent public accountants, (ii) is or becomes available to the public, or (iii) is required to be disclosed under applicable law or judicial process, and provided further that such information may be used by such party in connection with the enforcement of the terms and conditions of the Lease.

SECTION 20. MISCELLANEOUS.

20.1. Notices. Any notice provided for in this Lease shall be in writing or by a telecommunications device capable of creating a written record, and shall be effective (a) upon personal delivery thereof, including, without limitation, by overnight mail and courier service, (b) three (3) days after being deposited in the United States mail, certified, postage prepaid, return receipt requested, or, (c) in the case of notice by such a telecommunications device, when properly transmitted with confirmation of receipt, addressed to each party at the following addresses:

If to the Lessor:

The First National Bank of Maryland
25 South Charles Street
15th Floor
Baltimore, Maryland 21201
Attention: Transportation Division
Fax No.: (410) 347-6794
Confirmation No.: (410) 347-6780

All payments under the Operative Agreements to be made to the Lessor at:

The First National Bank of Maryland
P.O. Box 17086
Baltimore, Maryland 21203

If to the Lessee:

British Columbia Railway Company
221 West Esplanade
North Vancouver, British Columbia V6B 4X6
Attention: Chief Financial Officer
Fax No.: (604) 984-5265

or as to any of the foregoing parties at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

20.2. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor or any assignee pursuant to Section 16 may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made by any such party and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as Additional Rent hereunder, with interest thereon at the Late Rate. No such action shall be deemed a repossession of any of the Equipment, and no such advance, performance or other act shall be deemed to relieve the Lessee from any default hereunder or to constitute a waiver by the Lessor of any such failure by the Lessee.

20.3. No Waiver. No delay or omission to exercise any right, power or remedy accruing to the Lessor upon any breach or default by the Lessee under this Lease shall impair any such right, power or remedy of the Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default hereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default. All waivers under this Lease must be in writing, but any breach or default, once waived in writing, shall not be deemed to be continuing for any purpose of the Operative Agreements. All remedies either under this Lease or by law afforded to the Lessor shall be cumulative and not alternative.

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

20.5. Law Governing and Submission to Jurisdiction.

(a) This Lease shall be construed in accordance with the internal laws and decisions (as opposed to conflicts of law provisions) of the State of Maryland; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

(b) Any judicial proceeding brought against the Lessee with respect to this Lease or any of the other Operative Agreements may be brought in any Federal or state court of competent jurisdiction located in the State of Maryland, and Lessee consents to such non-exclusive jurisdiction.

20.6. Currency. All amounts and moneys referred to in this Lease shall be construed to mean money which at the time is lawful money of the United States of America.

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

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

20.9. True Lease. It is the intent of the parties to this Lease that it will be a true lease and not a "conditional sale" and that the Lessor shall at all times be considered to be the owner of the Equipment which is the subject of this Lease for the purposes of all federal, state, city and local income taxes or for franchise taxes measured by net income, and that this Lease conveys to the Lessee no right, title or interest in the Equipment except as lessee.

20.10. Interest on Overdue Rentals and Amounts Advanced. Anything to the contrary herein contained notwithstanding, any nonpayment of Rent or other sums due hereunder shall result in the additional obligation on the part of the Lessee to pay an amount equal to interest at the Late Rate on such overdue amounts for the period of time during which they were overdue and not paid.

20.11. Survival. All warranties, representations, indemnities and covenants made by any party hereto, herein or in any certificate or other instrument delivered by any such party or on behalf of any such party under this Lease, shall be considered to have been relied upon by the other party hereto and shall survive the consummation of the transactions contemplated hereby regardless of any investigation made by any such party or on behalf

of any such party. In addition to the foregoing, all the indemnities contained in Section 6.1 and Section 6.2 hereof and the obligation, if any, of the Indemnified Party to make payments to the Lessee pursuant to such Sections, shall continue in full force and effect notwithstanding the expiration or other termination of the Lease, in whole or in part, until all such obligations of the Lessee and each indemnified party have been met and such liabilities have been paid in full; and are expressly made for the benefit of, and shall be enforceable by, the Lessee and each Indemnified Party.

[INTENTIONALLY LEFT BLANK --
SECTION 20.12 AND SIGNATURES ON NEXT PAGE]

20.12. Entire Agreement. This Lease Agreement and each Lease Supplement hereto constitute the entire agreement between the parties with respect to the subject matter hereof and shall not be amended or altered in any manner except by a document in writing executed by both parties.

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

THE FIRST NATIONAL BANK OF
MARYLAND

By: [Signature] (SEAL)
Name: Paul M. Leonard, Jr.
Title: Transportation Executive

DUPLICATE

BRITISH COLUMBIA RAILWAY
COMPANY

By: [Signature] R.W. Young (SEAL)
Name: A.J. McElligott R.W. Young
Title: PRESIDENT CORPORATE SECRETARY

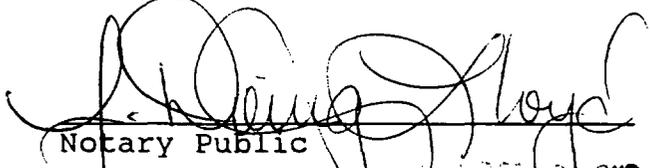
This Equipment Lease and the rentals and other sums due and to become due hereunder may be assigned by the Lessor as provided in Section 16 hereof to and made subject to a security interest in favor of a bank or trust company, as security trustee, or a financial institution, as lender. Any party intending to give consideration for any assignment by the Lessor of this Equipment Lease or any of the Lessor's rights hereunder should first determine whether any such prior assignments or security agreements providing for such assignments have been filed and recorded with the office of the Secretary of the Interstate Commerce Commission.

[Signature] R.W. Young
Lessee

[Signature]
Lessor
Transportation Executive

STATE OF MARYLAND)
) SS:
CITY OF BALTIMORE)

On this 4th day of December, 1994, before me personally appeared Paul M. Lead, Jr., to me personally known, who being duly sworn, says that he is the Vice President of THE FIRST NATIONAL BANK OF MARYLAND, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


Notary Public

[NOTARIAL SEAL]

My commission expires August 11, 1996
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires August 11, 1996

COUNTRY OF CANADA)
) SS:
PROVINCE OF BRITISH COLUMBIA)

On this 4th day of December, 1992, before me personally appeared WALTER YOUNG, to me personally known, who being duly sworn, says that he is ~~an Executive Vice President~~ of BRITISH COLUMBIA RAILWAY COMPANY, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

CORPORATE SECRETARY


Notary Public

[NOTARIAL SEAL]

My commission expires DOES NOT

ANNEX I
(to Equipment Lease)

DEFINITIONS

EQUIPMENT LEASE

dated as of December 4, 1992

between

BRITISH COLUMBIA RAILWAY COMPANY,
as Lessee,

and

THE FIRST NATIONAL BANK OF MARYLAND,
as Lessor

DEFINITIONS

Re: EQUIPMENT LEASE DATED AS OF DECEMBER 4, 1992
 BETWEEN BRITISH COLUMBIA RAILWAY COMPANY, AS
 LESSEE, AND THE FIRST NATIONAL BANK OF
 MARYLAND AS LESSOR

General Provisions

Each of the following terms shall have the meaning specified herein for all purposes of the Operative Agreements referred to below, unless it is otherwise defined in an Operative Agreement or the context thereof shall otherwise require. In the case of any conflict between the provisions of this Definition Annex and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, (i) references to agreements shall be deemed to mean and include such agreements as the same may be amended and supplemented from time to time, and (ii) references to parties to agreements shall be deemed to include the successors and permitted assigns of such parties.

Defined Terms

"Additional Rent" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee is obligated to pay under the Lease, including, but not limited to, Casualty Value Payments, and amounts, if any, payable by the Lessee under Section 2 of the Agreement to Sell and Lease.

"Affiliate" shall mean, with respect to a specified Person, any other Person directly or indirectly Controlling or Controlled by or under direct or indirect Control with such Person.

"After-Tax Basis" shall mean, with respect to any payment received or deemed to have been received by any Person, the amount of such payment supplemented by a further payment to that Person so that the sum of the two payments shall be equal to such payment received or deemed to have been received, after deduction of all Federal, state and local income taxes (taking into account any credits or deductions arising therefrom and the timing thereof), computed (i) on the assumption that such Person is fully taxable, and (ii) using an assumed combined effective Federal, state and local income tax rate (taking into account the deductibility of state and local taxes in computing Federal income taxes) determined by using the maximum marginal Federal income tax rate in effect for such taxable year and a state and local income tax rate equal to the actual marginal combined state and local income tax rate,

resulting from the receipt (actual or constructive) of such two payments.

"Appraisal Procedure" shall mean the following procedure for determining the Fair Market Value or the Fair Rental Value, as the case may be, of any property. If either party to the Lease shall have given written notice to the other party requesting determination of such value by the Appraisal Procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within fifteen (15) days after such notice is given, each party shall appoint a qualified independent appraiser within twenty (20) days after such notice is given. If one party appoints an appraiser pursuant to the preceding sentence, the appraisal shall be made by such appraiser if the other party fails to appoint a second appraiser within the applicable time limit. If both parties appoint appraisers, the two appraisers so appointed shall within thirty (30) days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within thirty (30) days after such notice is given, either party may apply to the American Arbitration Association to make such appointment, and both parties shall be bound by any such appointment. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine one or more of the Fair Market Value or the Fair Rental Value of such property within twenty (20) days after its or their appointment. If the parties shall have appointed a single appraiser, its determination of values shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final.

"Bankruptcy Code" shall mean the Bankruptcy Code of 1978 as amended from time to time, 11 U.S.C. § 101 et seq.

"Base Term" shall have the meaning specified in Section 3 of the Lease.

"Base Term Commencement Date" shall have the meaning specified in Section 3 of the Lease.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which banks in the State of Maryland or the Province of British Columbia are authorized or permitted to be closed.

"Capitalized Lease" shall mean any lease the obligation for rentals with respect to which is required to be capitalized on a balance sheet of the lessee in accordance with generally accepted accounting principles.

"Capitalized Rentals" shall mean as of the date of any determination the amount at which the aggregate rentals due and to become due under all Capitalized Leases under which the Lessee or other surviving corporation or any Subsidiary is a lessee would be reflected as a liability on a consolidated balance sheet of the Lessee or other surviving corporation and its Subsidiaries.

"Casualty Occurrence" shall have the meaning specified in Section 11.2 of the Lease.

"Casualty Value" shall mean during the Base Term the amount determined in accordance with Section 11.6 of the Lease.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Control" means, with respect to any Person, the power to direct the management, operations and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" have meanings correlative to the foregoing.

"Default" shall mean any event which would constitute an Event of Default under the Lease if any requirement in connection therewith for the giving of notice or the lapse of time, or both, had been satisfied.

"Dollars" or "\$" means United States dollars.

"Equipment" shall mean collectively those 100-ton center beam bulkhead flat cars described in Schedule 1 to the Lease Supplement, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed on any item thereof which are or become the property of the Lessor pursuant to the terms of the Lease, and "Item" or "Item of Equipment" shall mean individually the various items thereof.

"Equipment Cost" shall mean, for each Item of Equipment, final invoice cost to the Lessor from the Seller.

"Equipment Lease" See "Lease."

"Event of Default" is defined in Section 14 of the Lease.

"Expenses" is defined in Section 6.1(a) of the Lease.

"Fair Market Value" shall mean with respect to the Equipment or any Item thereof, the fair market sales value of the Equipment or such Item, determined in accordance with Section 14 of the Lease, as the case may be.

"Fair Rental Value" shall mean with respect to the Equipment or any Item thereof, the fair market rental value of the Equipment

or such Item, determined in accordance with Section 14 of the Lease, as the case may be.

"Fixed Rent" shall mean all rent payable pursuant to Section 2.1(a) of the Lease for the Base Term.

"Funded Debt" of any Person shall mean (i) all Indebtedness for borrowed money or which has been incurred in connection with the acquisition of assets in each case having a final maturity of one or more than one year from the date of origin thereof (or which is renewable or extendible at the option of the obligor for a period or periods more than one year from the date of origin), including all payments in respect thereof that are required to be made within one year from the date of any determination of Funded Debt, (ii) all Capitalized Rentals, and (iii) all guaranties (whether direct or indirect) of Funded Debt of others. "Consolidated" when used as a prefix to any Funded Debt shall mean the aggregate amount of all such Funded Debt of the Lessee or other surviving corporation and its Subsidiaries on a consolidated basis eliminating intercompany items.

"Indebtedness" of any Person shall mean and include all obligations of such Person which in accordance with generally accepted accounting principles shall be classified upon a balance sheet of such Person as liabilities of such Person, and in any event shall include all (i) obligations of such Person for borrowed money or which has been incurred in connection with the acquisition of property or assets, (ii) obligations secured by any lien or other charge upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations, (iii) obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, notwithstanding the fact that the rights and remedies of the seller, lender or lessor under such agreement in the event of default are limited to repossession or sale of property, and (iv) Capitalized Rentals under any Capitalized Lease. For the purpose of computing the "Indebtedness" of any Person, there shall be excluded any particular Indebtedness to the extent that, upon or prior to the maturity thereof, there shall have been deposited with the proper depository in trust the necessary funds (or evidences of such Indebtedness, if permitted by the instrument creating such Indebtedness) for the payment, redemption or satisfaction of such Indebtedness; and thereafter such funds and evidences of Indebtedness so deposited shall not be included in any computation of the assets of such Person.

"Indemnified Parties" shall mean the Lessor, any transferee or assignee of the Equipment and/or the Lease pursuant to Section 16 thereof and successors, assigns, agents, servants, officers and employees of each of the foregoing.

"Item of Equipment" or "Item" shall mean each item of the Equipment.

"Late Rate" shall mean interest at the annual rate equal to the lesser of (a) the highest rate permitted by applicable law and (b) one (1) percent over the Prime Rate.

"Lease" or "Equipment Lease" shall mean the Equipment Lease dated as of December 4, 1992 between the Lessor, as lessor, and the Lessee, as lessee, as amended or supplemented from time to time and all Exhibits, Annexes and Schedules thereto.

"Lease Supplement" shall mean the Lease Supplement, substantially in the form of Exhibit A to the Lease, entered into between the Lessor and the Lessee.

"Lessee" shall mean British Columbia Railway Company, a British Columbia corporation, any assignee permitted by Section 17.1 of the Lease, and (without limiting the provisions of Section 17.3 of the Lease) any corporation which succeeds thereto by merger or consolidation or which acquires all or substantially all of the assets of the Lease or such assignee.

"Lessor" shall mean The First National Bank of Maryland, a national banking association, and any corporation which succeeds thereto by merger or consolidation or which acquired all or substantially all of the assets thereof.

"Lien" shall mean any mortgage, pledge, security interest, lien, encumbrance or other charge of any kind on property.

"Net Worth" shall mean, as of the date of any determination thereof, the total amount of all assets of the Lessee or other surviving corporation and its Subsidiaries less all outstanding Indebtedness, deferred taxes, minority interests and all other items appropriately appearing on the liability side of a consolidated balance sheet, all determined in accordance with generally accepted accounting principles consolidating the Lessee or other surviving corporation and its Subsidiaries.

"Officer's Certificate" shall mean a certificate signed in the case of a corporation by the Chairman of the Board, the President, any Vice President or the Chief Financial Officer of such corporation.

"Operative Agreements" shall mean and include the Lease and the Lease Supplement, and in the event the Lessor shall at any time

arrange for a non-recourse leveraged financing with respect to the Lease, shall further mean and include the documents providing therefor.

"Permitted Contest" shall mean a good-faith contest which each Indemnified Party determines will be conducted in a manner so as to prevent the imposition of any criminal penalty on, or adverse effect on the title, property or right of, such Indemnified Party, of the legality or validity of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, Liens or impositions which, under the terms of the Lease, are required to be paid or discharged by the Lessee or the Lessor, as the case may be, but for such contest.

"Permitted Encumbrances" with respect to the Equipment and each Item thereof, shall mean (i) the interest of the Lessee and the Lessor, respectively, under the Lease; (ii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being contested by a Permitted Contest; (iii) any Liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are not due and payable or the amount or validity of which is being contested by a Permitted Contest; and (iv) the Lien and security interest granted under any Operative Agreement.

"Permitted Sublease" shall mean any sublease permitted by Section 17.1 of the Lease.

"Permitted Sublessee" shall mean any sublessee permitted by Section 17.1 of the Lease to enter into a Permitted Sublease with Lessee.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Prime Rate" shall mean the floating and fluctuating rate announced from time to time by The First National Bank of Maryland as its prime rate whether or not such rate is otherwise published.

[INTENTIONALLY LEFT BLANK]

"Purchase Option Price" shall mean the sum of \$13,750.00 per Item of Equipment, plus all taxes upon sale.

"Regulations" shall mean the income tax regulations issued, published or promulgated under the Code.

"Rent" shall mean all Fixed Rent and Additional Rent.

"Rent Payment Dates" shall mean January 1, 1993 and the last day of each month thereafter throughout, and including the final day of, the Term of the Lease.

"Rentals" shall mean and include all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Lessee or other surviving corporation or a Subsidiary, as lessee or sublessee under a lease of real or personal property, but shall be exclusive of any amounts required to be paid by the Lessee or other surviving corporation or a Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so called, "percentage leases" shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"Seller" shall mean Northwestern Oklahoma Railroad Co.

"Senior Funded Debt" shall mean all Funded Debt other than Subordinated Funded Debt.

"Subordinated Funded Debt" shall mean all unsecured Funded Debt of the Lessee or other surviving corporation which contains or has applicable thereto provisions which cause such Funded Debt to be junior and subordinate in right of payment upon default or upon liquidation or bankruptcy to all Senior Funded Debt.

"Subsidiary" shall mean any corporation, trust or association of which more than 50% (by number of votes) of the voting stock at the time outstanding shall at the time be owned, directly or indirectly, by the Lessee or by any other corporation, association or trust which is itself a Subsidiary within the meaning of this definition, or collectively by the Lessee and any one or more such Subsidiaries.

"Term" shall mean the Base Term of the Lease, subject to the provisions of Sections 11 and 14 of the Lease.

EXHIBIT A

(to Equipment Lease)

LEASE SUPPLEMENT NO. 1

This LEASE SUPPLEMENT NO. 1, dated December 4, 1992 between THE FIRST NATIONAL BANK OF MARYLAND, a national banking association (the "Lessor" and BRITISH COLUMBIA RAILWAY COMPANY, a British Columbia corporation (the "Lessee");

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Lease Agreement dated as of December 4, 1992 (the "Lease"). The terms used herein have the meanings specified in the Lease.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of the Lessee's accepting the Equipment under and effectuating the Lease, and evidencing the Fixed Rent and Casualty Values payable for the Items of Equipment which shall from time to time become subject to the Lease.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Fixed Rent payable by Lessee on each Rent Payment Date is \$380.00 per Item of Equipment and \$77,140.00 for all such Items of Equipment.

2. The Casualty Value for each Item of Equipment as of each Rent Payment Date is to be determined in accordance with the Lease.

3. By its execution and delivery of this Lease Supplement, Lessee hereby acknowledges and agrees that (a) it is irrevocably bound to lease all of the items of Equipment described below from and after the Acceptance Date referenced below, (b) as of such date it shall be deemed to have inspected, received, approved and accepted delivery under the Lease of the following items of Equipment:

TYPE AND QUANTITY
OF EQUIPMENT:

201 71 FOOT 100-TON CENTER BEAM
BULKHEAD FLAT CARS AND

2 73 FOOT 100-TON CENTER BEAM
BULKHEAD FLAT CARS

PLACE ACCEPTED: North Vancouver, B.C. Canada
ACCEPTANCE DATE: January 1, 1993
MARKED AND NUMBERED: See attached Schedule 1 hereto and
made a part hereof.

and (c) as of such date it acknowledges that the foregoing Items of Equipment shall, as between Lessee and Lessor, be deemed to be in good order and condition, and conform to the specifications applicable thereto, and that there are no defects in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect. The execution of this Lease Supplement will in no way relieve or decrease the responsibility of the Seller for any warranties it has made with respect to the Equipment.

[INTENTIONALLY LEFT BLANK --
SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Supplement to be duly executed as of the day and year first above written and to be delivered as of the date first above written.

THE FIRST NATIONAL BANK OF
MARYLAND

By: _____
Name: _____
Its: _____

BRITISH COLUMBIA RAILWAY COMPANY

By: _____
Name: _____
Its: _____

The Lease and the rentals and other sums due and to become due hereunder and thereunder may be assigned by the Lessor as provided in Section 16 thereof to and made subject to a security interest in favor of a bank or trust company, as security trustee, or a financial institution, as lender. Any party intending to give consideration for any assignment by the Lessor of the Lease, as supplemented, or any of the Lessor's rights hereunder should first determine whether any such prior assignments or security agreements providing for such assignments have been filed and recorded with the office of the Secretary of the Interstate Commerce Commission.

LEASE SUPPLEMENT NO. 1

This LEASE SUPPLEMENT NO. 1, dated December 4, 1992 between THE FIRST NATIONAL BANK OF MARYLAND, a national banking association (the "Lessor" and BRITISH COLUMBIA RAILWAY COMPANY, a British Columbia corporation (the "Lessee");

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Lease Agreement dated as of December 4, 1992 (the "Lease"). The terms used herein have the meanings specified in the Lease.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of the Lessee's accepting the Equipment under and effectuating the Lease, and evidencing the Fixed Rent and Casualty Values payable for the Items of Equipment which shall from time to time become subject to the Lease.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Fixed Rent payable by Lessee on each Rent Payment Date is \$380.00 per Item of Equipment and \$77,140.00 for all such Items of Equipment.

2. The Casualty Value for each Item of Equipment as of each Rent Payment Date is to be determined in accordance with the Lease.

3. By its execution and delivery of this Lease Supplement, Lessee hereby acknowledges and agrees that (a) it is irrevocably bound to lease all of the items of Equipment described below from and after the Acceptance Date referenced below, (b) as of such date it shall be deemed to have inspected, received, approved and accepted delivery under the Lease of the following items of Equipment:

TYPE AND QUANTITY
OF EQUIPMENT:

201 71 FOOT 100-TON CENTER BEAM
BULKHEAD FLAT CARS AND

2 73 FOOT 100-TON CENTER BEAM
BULKHEAD FLAT CARS

PLACE ACCEPTED:

North Vancouver, B.C. Canada

ACCEPTANCE DATE: January 1, 1993

MARKED AND NUMBERED: See attached Schedule 1 hereto and made a part hereof.

and (c) as of such date it acknowledges that the foregoing Items of Equipment shall, as between Lessee and Lessor, be deemed to be in good order and condition, and conform to the specifications applicable thereto, and that there are no defects in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect. The execution of this Lease Supplement will in no way relieve or decrease the responsibility of the Seller for any warranties it has made with respect to the Equipment.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Supplement to be duly executed as of the day and year first above written and to be delivered as of the date first above written.

THE FIRST NATIONAL BANK OF MARYLAND

By: [Signature]
Name: Paul M. Fend Jr.
Its: Transportation Executive

DUPLICATE

BRITISH COLUMBIA RAILWAY COMPANY

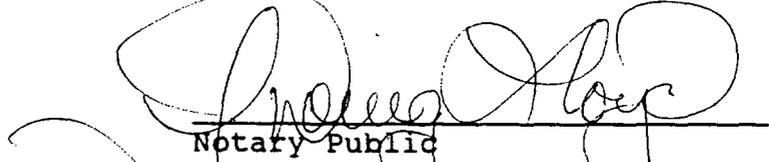
By: [Signature] R.W. Young
Name: PAUL J. McELGOTT R.W. YOUNG
Its: PRESIDENT CORPORATE SECRETARY

The Lease and the rentals and other sums due and to become due hereunder and thereunder may be assigned by the Lessor as provided in Section 16 thereof to and made subject to a security interest in favor of a bank or trust company, as security trustee, or a financial institution, as lender. Any party intending to give consideration for any assignment by the Lessor of the Lease, as supplemented, or any of the Lessor's rights hereunder should first determine whether any such prior assignments or security agreements providing for such assignments have been filed and recorded with the office of the Secretary of the Interstate Commerce Commission.

[Signature] R.W. Young
Lessee
[Signature]
Lessor
Transportation Executive

STATE OF MARYLAND)
) SS:
CITY OF BALTIMORE)

On this 4th day of December, 1994, before me personally appeared Paul M. Hendry, to me personally known, who being duly sworn, says that he is the Vice President of THE FIRST NATIONAL BANK OF MARYLAND, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


Notary Public

[NOTARIAL SEAL]

My commission expires J. DORING LLOYD
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires August 11, 1992

COUNTRY OF CANADA)
) SS:
PROVINCE OF BRITISH COLUMBIA)

On this 4th day of December, 1992, before me personally appeared WALTER YOUNG, to me personally known, who being duly sworn, says that he is an ~~Executive Vice President~~ of BRITISH COLUMBIA RAILWAY COMPANY, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

CORPORATE SECRETARY


Notary Public

[NOTARIAL SEAL]

My commission expires DOES NOT _____.

SCHEDULE 1
(to Lease Supplement No. 1)

DESCRIPTION OF ITEMS OF EQUIPMENT

Description and Mark and Number of Items of Equipment:

1. Two hundred and one (201) Seventy-one (71) foot center beam bulkhead flat cars
Seller: Northwestern Oklahoma Railroad Company
Purchase Price: \$37,750.00 per unit
Marks: BCIT 871000 through and including BCIT 871149, and BCIT 871200 through and including BCIT 871259 (excluding, however, BCIT 871005, BCIT 871030, BCIT 871034, BCIT 871073, BCIT 871079, BCIT 871094, BCIT 871104, BCIT 871219 and BCIT 871256)

2. Two (2) Seventy-three (73) foot center beam bulkhead flat cars
Seller: Northwestern Oklahoma Railroad Company
Purchase Price: \$37,750.00 per unit
Marks: BCIT 873950 and BCIT 873951