SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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BURLINGTON NORTHERN INC/DE/

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

XX QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-8159

BURLINGTON NORTHERN INC.
(Exact name of registrant as specified in its charter)

Delaware	41-1400580
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3800 Continental Plaza, 777 Main St.
Fort Worth, Texas 76102-5384
(Address of principal executive offices) (Zip Code)

(817) 333-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding
Common stock, without par value as of April 30, 1995	89,592,137 shares

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BURLINGTON NORTHERN INC. and SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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BURLINGTON NORTHERN INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars In Millions, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31, 1995	1994
Revenues	$1,347	$1,210
Costs and expenses:		
Compensation and benefits	489	447
Fuel	98	83
Materials	80	85
Equipment rents	116	106
Purchased services	104	117
Depreciation	99	87
Other	144	103
Total costs and expenses	1,130	1,028
Operating income	217	182
Interest expense	43	39
Other income (expense), net	3	(1)
Income before income taxes and cumulative effect of change in accounting method	177	142
Income tax expense	69	55
Income before cumulative effect of change in accounting method	108	87
Cumulative effect of change in accounting method, net of tax	-	(10)
Net income	$ 108	$ 77
Primary earnings per common share:		
Income before cumulative effect of change in accounting method	$ 1.14	$ .90
Cumulative effect of change in accounting method	-	(.11)
Primary earnings per common share	$ 1.14	$ .79
Shares used in computation (in thousands)	90,280	90,290
Fully diluted earnings per common share:		
Income before cumulative effect of change in accounting method	$ 1.10	$ .90
Cumulative effect of change in accounting method	-	(.11)
Fully diluted earnings per common share	$ 1.10	$ .79
Shares used in computation (in thousands)	97,866	97,631
Dividends declared per common share	$ .30	$ .30

See accompanying notes to consolidated financial statements.

BURLINGTON NORTHERN INC. and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars In Millions)
(Unaudited)

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ASSETS	March 31, 1995	December 31, 1994
Current assets:		
Cash and cash equivalents	$ 25	$ 27
Accounts receivable, net	671	697
Materials and supplies	136	100
Current portion of deferred income taxes	146	156
Other current assets	201	32
Total current assets	1,179	1,012
Investment in Santa Fe Pacific Corporation	572	-
Property and equipment, net	6,359	6,311
Other assets	285	269
Total assets	$8,395	$7,592
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 572	$ 534
Compensation and benefits payable	239	264
Casualty and environmental reserves	240	248
Taxes payable	170	138
Accrued interest	49	45
Other current liabilities	74	96
Commercial paper	209	90
Current portion of long-term debt	29	32
Total current liabilities	1,582	1,447
Long-term debt	2,189	1,697
Deferred income taxes	1,496	1,456
Casualty and environmental reserves	419	416
Other liabilities	325	339
Total liabilities	6,011	5,355
Stockholders' equity:		
Convertible preferred stock, no par value, $345 liquidation value; 25,000,000 shares authorized; 6,900,000 shares issued; 6,899,657 shares and 6,900,000 shares outstanding, respectively	337	337
Common stock, without par value, at stated value, 300,000,000 shares authorized; 89,438,182 shares and 89,329,259 shares issued, respectively	1	1
Additional paid-in capital	1,449	1,443
Retained earnings	561	485
Treasury stock, at cost, 106,088 shares and 105,438 shares, respectively	(5)	(5)
Other	41	(24)
Total stockholders' equity	2,384	2,237
Total liabilities and stockholders' equity	$8,395	$7,592

See accompanying notes to consolidated financial statements.

BURLINGTON NORTHERN INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars In Millions)

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(Unaudited)

	Three Months Ended March 31,	
	1995	1994
Cash flows from operating activities:		
Net income....................................	$ 108	$ 77
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of change in accounting method..................................	-	10
Depreciation................................	99	87
Deferred income taxes.......................	22	21
Changes in current assets and liabilities:		
Accounts receivable, net..................	26	(1)
Materials and supplies....................	(36)	(29)
Other current assets......................	(169)	(71)
Accounts payable..........................	38	21
Compensation and benefits payable..........	(23)	(29)
Casualty and environmental reserves........	(8)	(17)
Taxes payable.............................	33	19
Accrued interest..........................	4	7
Other current liabilities.................	(22)	(21)
Changes in long-term casualty and environmental reserves....................	3	1
Other, net..................................	(8)	(28)
Net cash provided by operating activities..........	67	47
Cash flows from investing activities:		
Investment in Santa Fe Pacific Corporation.......	(500)	-
Additions to property and equipment.............	(149)	(102)
Proceeds from property and equipment dispositions	7	5
Other, net......................................	(3)	(4)
Net cash used in investing activities.............	(645)	(101)
Cash flows from financing activities:		
Net increase in commercial paper................	119	101
Proceeds from issuance of long-term debt.........	510	-
Payments on long-term debt......................	(23)	(14)
Dividends paid..................................	(32)	(32)
Proceeds from exercise of common stock options...	2	5
Net cash provided by financing activities..........	576	60
Increase (decrease) in cash and cash equivalents...	(2)	6
Cash and cash equivalents:		
Beginning of period.............................	27	17
End of period...................................	$ 25	$ 23
Supplemental cash flow information:		
Interest paid, net of amounts capitalized........	$ 37	$ 30
Income tax paid, net of refunds..................	2	1

See accompanying notes to consolidated financial statements.

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1. Accounting policies

The 1994 Annual Report on Form 10-K for Burlington Northern Inc. (BNI) and its majority-owned subsidiaries (collectively BN) includes a summary of significant accounting policies and should be read in conjunction with this Form 10-Q. The principal subsidiary is Burlington Northern Railroad Company (Railroad). The statements for the periods presented are condensed and do not contain all information required by generally accepted accounting principles to be included in a full set of financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary to present fairly BN's financial position as of March 31, 1995 and December 31, 1994 and the results of operations and cash flows for the three months ended March 31, 1995 and 1994 have been included. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the entire year. Certain prior year data has been reclassified to conform to the current year presentation.

2. Earnings per common share

Primary earnings per common share are computed by dividing net income, after deduction of preferred stock dividends, by the weighted average number of common shares and common share equivalents outstanding. Fully diluted earnings per common share are computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding. Common share equivalents are computed using the treasury stock method. An average market price is used to determine the number of common share equivalents for primary earnings per common share. The higher of the average or end-of-period market price is used to determine common share equivalents for fully diluted earnings per common share. In addition, the if-converted method is used for convertible preferred stock when computing fully diluted earnings per common share.

3. Agreement to merge and tender offers

As of June 29, 1994, BNI and Santa Fe Pacific Corporation (Santa Fe) entered into an Agreement and Plan of Merger (the Original Agreement) pursuant to which, on the terms and conditions set forth in the Original Agreement, Santa Fe would merge (the Merger) with and into BNI, and BNI would be the surviving corporation and each share of Santa Fe common stock would be converted into 0.27 of a share of BNI common stock. The Original Agreement was subsequently amended as of October 26, 1994, December 18, 1994 and January 24, 1995. The Original Agreement, as so amended, is referred to as the Merger Agreement. Pursuant to the Merger Agreement, Santa Fe is to merge with and into BNI with each share of Santa Fe common stock to be exchanged for not less than 0.40 and not more than 0.4347 shares of BNI common stock. The exchange ratio will vary based on the number of additional shares of Santa Fe common stock repurchased by Santa Fe in the repurchase program referred to below (the Repurchase Program). Stockholders of BNI and Santa Fe approved the Merger Agreement at special stockholders' meetings held on February 7, 1995.

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Also pursuant to the Merger Agreement, on December 23, 1994, BNI and Santa Fe commenced tender offers (together, the Tender Offer) to acquire 25 million and 38 million shares of Santa Fe common stock, respectively, at $20 per share in cash representing 13 percent and 20 percent, respectively, of the then outstanding Santa Fe common stock. On February 6, 1995, BNI entered into a five-year $500 million unsecured bank credit facility (the Tender Offer Facility), whereby a group of banks agreed to finance BNI's purchase of shares of Santa Fe common stock in the Tender Offer. Funding of the Tender Offer was completed on February 21, 1995. At BNI's option, borrowings and renewals thereof can be obtained either through a competitive bid or a standby procedure. Rates for borrowing under the standby procedure are, at BNI's option, based upon the selected term of the London Interbank Offered Rate (LIBOR) or certificate of deposit rate, plus in either case, a spread based upon BNI's senior unsecured debt ratings and the amount borrowed under the Tender Offer Facility, or an alternative base rate.

As of March 31, 1995, Santa Fe had borrowed $1,000 million from a syndicate of financial institutions under a new credit agreement, of which $760 million was used for the Santa Fe tender offer and $240 million was used to replace existing Santa Fe debt and pay related expenses.

Under the Repurchase Program as set forth in the Merger Agreement, Santa Fe is permitted, at its discretion and subject to certain financial and performance criteria of Santa Fe set forth in its credit agreement and the Merger Agreement (including minimum cash flows, cash capital expenditures and maximum total debt), to repurchase up to 10 million shares of Santa Fe common stock prior to consummation of the Merger. The number of shares of BNI common stock to be issued in the Merger will not be affected by the number of additional shares of Santa Fe common stock repurchased by Santa Fe under the Repurchase Program. Accordingly, the exchange ratio of BNI common shares to be offered for each share of outstanding Santa Fe common stock upon consummation of the Merger would be set at not less than 0.40 and not more than 0.4347 shares. As of March 31, 1995, Santa Fe had repurchased approximately 1.4 million shares which would result in an exchange ratio of 0.4044 shares.

Pursuant to the Merger Agreement, two possible structures are available to complete the Merger. Using the current structure, each issued and outstanding share of Santa Fe common stock (other than shares of Santa Fe common stock held by Santa Fe as treasury stock or shares held by BNI, all of which will be cancelled) will be exchanged for not less than 0.40 and not more than 0.4347 shares of BNI common stock depending upon the number of additional shares of Santa Fe common stock repurchased by Santa Fe under the Repurchase Program discussed above. BNI will be the surviving corporation. The Merger Agreement provides that either BNI or Santa Fe may elect to effect the Merger through the use of a holding company (the Alternative Transaction Structure) as described below. BNI and Santa Fe have established BNSF Corporation (BNSF), a Delaware corporation, for such purpose. Under the Alternative Transaction Structure, BNSF would create two subsidiaries and one subsidiary would merge into BNI and one into Santa Fe. Each holder of one share of BNI common stock would receive one

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share of BNSF common stock and each holder of one share of Santa Fe common stock, excluding the Santa Fe common stock acquired by BNI in the Tender Offer and the Santa Fe common stock held by Santa Fe as treasury stock, would receive not less than 0.40 and not more than 0.4347 shares of BNSF common stock depending upon the number of additional shares of Santa Fe common stock repurchased by Santa Fe as permitted under the Repurchase Program discussed above. The Santa Fe common stock acquired by BNI in the Tender Offer would remain outstanding and the Santa Fe common stock held by Santa Fe as treasury stock would be cancelled. The rights of each stockholder of BNSF would be substantially identical to the rights of a stockholder of BNI, and the Alternative Transaction Structure would have the same economic effect with respect to the stockholders of BNI and Santa Fe as the Merger in its current structure. BNI and Santa Fe have included the option of effecting the Alternative Transaction Structure in order to ensure that the transactions contemplated by the Merger Agreement qualify as tax-free transactions for United States federal income tax purposes. The Merger will be accounted for under the purchase method of accounting upon consummation, and BNI's investment will be included in the purchase price.

As is typical in the context of a merger, certain benefits of officers and employees vested upon approval of the Merger by the stockholders of BNI and Santa Fe. In particular, on February 7, 1995, restrictions previously placed upon certain BNI stock grants lapsed and the previously unearned compensation relating to such restricted stock, included in BNI's stockholders' equity, was charged to expense. The unearned compensation relating to restricted stock at the time of vesting and related payroll taxes were approximately $24 million. BNI expects to incur other costs related to the Merger, some of which will be included in the determination of the total purchase price.

Consummation of the Merger is subject to approval by the Interstate Commerce Commission (ICC), approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and other customary conditions. In connection with the ICC proceedings, on January 27, 1995, BNI and Santa Fe requested the ICC to adopt an expedited procedural schedule for reviewing the merger, based on a timetable the ICC had proposed to adopt for all major railroad mergers. On March 9, 1995, the ICC issued a schedule providing for a final decision on the merger application on or before August 23, 1995. Interested parties, including other railroads, shippers and state agencies, indicated their intent to participate in the ICC proceeding on April 10, 1995. Railroad and The Atchison, Topeka and Santa Fe Railway Company have entered into agreements with Union Pacific Railroad Company; Southern Pacific Transportation Company, The Denver Rio Grande Western Railroad Company, St. Louis Southwestern Railway Company and SPCSL Corp.; and Kansas City Southern Railway Company, among others, whereby those carriers agreed not to oppose the ICC's approval of the Merger in exchange for grants of certain trackage rights, haulage arrangements or other such arrangements.

4. Investment in Santa Fe Pacific Corporation

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On February 21, 1995, BNI completed the acquisition of 25 million shares of Santa Fe common stock at $20 per share. The transaction was financed through the $500 million Tender Offer Facility which had a weighted average interest rate of 6.935 percent at March 31, 1995.

The investment in Santa Fe (Investment), which represents approximately 16 percent of the outstanding common stock of Santa Fe, is accounted for under the cost method and is classified as available for sale. As such, the carrying value is adjusted for changes in the fair value, as determined by quoted market prices, and any unrealized gain or loss is recorded, net of deferred income taxes, as a component of stockholders' equity. At March 31, 1995, the Investment was increased by $72 million reflecting an unrealized gain and stockholders' equity was increased by $44 million after deducting deferred income taxes of $28 million.

5. Environmental reserves and other contingencies

BN's operations, as well as those of its competitors, are subject to extensive federal, state and local environmental regulation. In order to comply with such regulation and to be consistent with BN's corporate environmental policy, BN's operating procedures include practices to protect the environment. Amounts expended relating to such practices are inextricably contained in the normal day-to-day costs of BN's business operations.

Under the requirements of the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and certain other laws, BN is potentially liable for the cost of clean-up of various contaminated sites identified by the United States Environmental Protection Agency and other agencies. BN has been notified that it is a potentially responsible party (PRP) for study and clean-up costs at approximately 80 sites (the PRP sites) and, in many instances, is one of several PRPs. BN generally participates in the clean-up of these sites through cost-sharing agreements with terms that vary from site to site. Costs are typically allocated based on relative volumetric contribution of material, the amount of time the site was owned or operated, and/or the portion of the total site owned or operated by each PRP. However, under Superfund and certain other laws, as a PRP, BN can be held jointly and severally liable for all environmental costs associated with a site.

Environmental costs include initial site surveys and environmental studies of potentially contaminated sites as well as costs for remediation and restoration of sites determined to be contaminated. Liabilities for environmental clean-up costs are initially recorded when BN's liability for environmental clean-up is both probable and a reasonable estimate of associated costs can be made. Adjustments to initial estimates are recorded as necessary based upon additional information developed in

subsequent periods. BN conducts an ongoing environmental contingency analysis, which considers a combination of factors, including independent consulting reports, site visits, legal reviews, analysis of the likelihood of participation in and ability to pay for clean-up by other PRPs, and historical trend analyses.

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BN is involved in a number of administrative and judicial proceedings and other mandatory clean-up efforts at approximately 160 sites, including the PRP sites, at which BN is being asked to participate in the clean-up of the sites contaminated by material discharged into the environment. BN paid approximately $5 million during the three months ended March 31, 1995 relating to mandatory clean-up efforts, including amounts expended under federal and state voluntary clean-up programs. Recoveries received from insurance companies, net of legal costs incurred, were approximately $5 million during the three months ended March 31, 1995. At this time, BN estimates that it will spend approximately $110 million in future years to remediate and restore all known sites, including $105 million pertaining to mandated sites, of which approximately $75 million relates to the PRP sites. Of the $110 million, BN estimates that it will spend $25 million during the remainder of 1995. Also, BN anticipates that the majority of the $110 million will be paid out over a period of less than seven years; however, some costs will be paid out over a longer period, in some cases up to 40 years. At March 31, 1995, 24 sites accounted for approximately $80 million of the accrual and no individual site was considered to be material.

Liabilities for environmental costs represent BN's best estimates for remediation and restoration of these sites and include asserted and unasserted claims. At March 31, 1995, BN had accrued approximately $110 million for estimated future environmental costs and believes it is reasonably possible, although not probable, that actual environmental costs could be lower than the recorded reserve or as much as 50 percent higher. BN's best estimate of unasserted claims was approximately $5 million as of March 31, 1995. Although recorded liabilities include BN's best estimates of all costs, without reduction for anticipated recovery from insurance, BN's total clean-up costs at these sites cannot be predicted with certainty due to various factors such as the extent of corrective actions that may be required, evolving environmental laws and regulations, advances in environmental technology, the extent of other PRPs' participation in clean-up efforts, developments in ongoing environmental analyses related to sites determined to be contaminated, and developments in environmental surveys and studies of potentially contaminated sites. As a result, charges to income for environmental liabilities could possibly have a significant effect on results of operations in a particular quarter or fiscal year as individual site studies and remediation and restoration efforts proceed or as new sites arise. However, expenditures associated with such liabilities are typically paid out over a long period, in some cases up to 40 years, and are therefore not expected to have a material adverse effect on BN's consolidated financial position, cash flow or liquidity.

6. Hedging activities

BN has a program to hedge against fluctuations in the price of its diesel fuel purchases. This program includes forward purchases for delivery at fueling facilities and exchange-traded petroleum futures contracts. The futures contracts are accounted for as hedges which are marked to market with any gains or losses associated with changes in market value being deferred and recognized as a component of fuel expense in the period in

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which the designated fuel is purchased and used. As of March 31, 1995, BN had entered into agreements with fuel suppliers setting the price of fuel to be obtained by taking physical delivery directly from such suppliers at a future date. The average price of the approximately 105 million gallons which BN had committed to purchase was approximately 51 cents per gallon, exclusive of taxes, certain transportation costs and other charges. In addition, BN held petroleum futures contracts representing approximately 86 million gallons at an average price of approximately 49 cents per gallon. These contracts have expiration dates ranging from April to November 1995.

BN's current fuel hedging program is designed to cover no more than 50 percent of projected fuel requirements for the subsequent 12-month period; therefore, hedge positions will not exceed actual fuel requirements. The current and future fuel delivery prices are monitored continuously and hedge positions are adjusted accordingly. In order to reduce risk associated with market movements, fuel hedging transactions do not extend beyond a 12-month period. BN purchases petroleum futures contracts only through regulated exchanges (e.g. New York Mercantile Exchange). In order to effectively monitor the fuel hedging activities, results of the program are summarized and reported to senior management on a regular basis.

7. Other income (expense), net

Other income (expense), net includes the following (in millions):

	Three Months Ended March 31, 1995	1994
Gain on property dispositions............	$ 2	$ 2
Interest income..........................	1	1
Loss on sale of receivables..............	-	(2)
Miscellaneous, net.......................	-	(2)
Total....................................	$ 3	$ (1)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis relates to the financial condition and results of operations of Burlington Northern Inc. (BNI) and its majority-owned subsidiaries (collectively BN). The principal subsidiary is Burlington Northern Railroad Company (Railroad).

Capital Resources and Liquidity

Cash from operations and other resources

Cash generated from operations is BN's principal source of liquidity and is primarily used for dividends and capital expenditures. For the first three months of 1995, cash provided by operating activities increased $20 million when compared with the first three months of 1994. This increase was attributable to a $31 million increase in net income, a noncash charge to earnings of $22 million related to restricted stock which vested upon stockholder approval of the proposed merger with Santa Fe Pacific Corporation (Santa Fe), a $26 million decrease in accounts receivable and increases in other miscellaneous sources. These increases were partially offset by a $76

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million increase in the purchase of equipment held in "Other current assets" pending final financing arrangements. While current year cash from operations was sufficient to fund dividends, it was not sufficient to also completely fund capital expenditures and BNI's investment in Santa Fe; therefore, the balance was financed with debt. Available sources for financing needs are discussed below.

On February 6, 1995, BNI entered into a five-year $500 million unsecured bank credit facility (the Tender Offer Facility), whereby a group of banks agreed to finance BNI's purchase of shares of Santa Fe common stock. At BNI's option, borrowings and renewals thereof can be obtained either through a competitive bid or a standby procedure. Rates for borrowing under the standby procedure are, at BNI's option, based upon the selected term of the London Interbank Offered Rate (LIBOR) or certificate of deposit rate, plus in either case, a spread based upon BNI's senior unsecured debt ratings and the amount borrowed under the Tender Offer Facility, or an alternative base rate. On February 21, 1995, BNI borrowed $500 million under the Tender Offer Facility, which had a weighted average interest rate of 6.935 percent at March 31, 1995. The proceeds were used to acquire 25 million shares of Santa Fe common stock at $20 per share.

Railroad maintains an effective program for the issuance, from time to time, of commercial paper. These borrowings are supported by Railroad's bank revolving credit agreements. Outstanding commercial paper balances are considered as reducing available borrowings under these agreements. The bank revolving credit agreements allow borrowings of up to $300 million on a short-term basis and $500 million on a long-term basis. Annual facility fees are currently 0.10 and 0.1875 percent, respectively, and are subject to change based upon changes in Railroad's senior secured debt ratings. At Railroad's option, borrowings can be obtained through either a competitive bid or a standby procedure. Rates for borrowings under the standby procedure are, at Railroad's option, based upon LIBOR or certificate of deposit rate, plus in either case, a spread based upon Railroad's senior secured debt ratings, or an alternate base rate. The agreements are currently scheduled to expire on May 3, 1996 and May 6, 1999, respectively. The maturity value of commercial paper outstanding at March 31, 1995 was $210 million, leaving a total of $90 million

of the short-term revolving credit agreement available and $500 million of the long-term revolving credit agreement available. The maturity value of commercial paper outstanding at December 31, 1994 was $91 million.

In 1993, BN entered into an agreement to acquire 350 alternating current traction motor locomotives. In December 1994, the number of locomotives to be acquired under this agreement was increased to 404. As of March 31, 1995, BN had accepted delivery of 174 locomotives and anticipates additional deliveries under this agreement of approximately 70 units in 1995 as well as deliveries of between approximately 60 and 100 each year for 1996 and 1997. Future cash from operations during this strategic investment period may not, at times, be sufficient to completely fund dividends as well as capital expenditures and strategic investments. Therefore, these requirements will likely be financed using a combination of sources including, but not limited to, cash from operations, operating leases, debt issuances and other miscellaneous sources. Each financing decision will be based upon the most appropriate alternative available.

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BNI continues to maintain an effective registration statement on Form S-3 with the Securities and Exchange Commission which will allow for the issuance from time to time of up to $350 million aggregate principal amount of debt securities.

Capital expenditures and resources

A breakdown of capital expenditures is set forth in the following table (in millions):

Three months ended March 31,	1995	1994
Road, roadway structures and real estate..........	$117	$ 81
Equipment...	32	21
Total...	$149	$102

Capital roadway expenditures during the first quarter of 1995 increased when compared with the first quarter of 1994 as a result of extensive capacity expansion projects and favorable weather conditions. BN projects 1995 capital spending to remain at a level comparable to 1994. As discussed in "Cash from operations and other resources," BN has a commitment to acquire 404 alternating current traction motor locomotives through 1997, of which 174 had been accepted as of March 31, 1995. Also, BN will continue its implementation of several strategic initiatives for transportation network management using information systems technology. These commitments will likely be financed using a combination of sources including, but not limited to, cash from operations, operating leases, debt issuances and other miscellaneous sources. Each financing decision will be based upon the most appropriate alternative available.

In addition to capital expenditures, BN continues to utilize operating leases to fulfill certain equipment requirements. The method used to finance equipment will depend upon current market conditions and other factors. In both the first quarter of 1995 and 1994, BN acquired new equipment to be financed through long-term operating leases which were primarily for alternating current traction motor locomotives.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Dividends

Common stock dividends declared for the first quarter of 1995 and 1994 were $.30 per common share. Dividends paid on common and preferred stock were $32 million during each of the quarters ended March 31, 1995 and 1994. BNI expects to continue its current policy of paying regular quarterly dividends on its common and preferred stock; however, dividends are declared by the Board of Directors based on profitability, capital expenditure requirements, debt service and other factors.

Capital structure

BN's ratio of total debt to total capital was 50 percent at March 31, 1995 compared with 45 percent at December 31, 1994. This increase is substantially attributable to BNI financing its purchase of 25 million shares of Santa Fe common stock with debt of $500 million.

Results of Operations

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Three months ended March 31, 1995 compared with three months ended March 31, 1994

BN recorded net income for the first quarter of 1995 of $108 million ($1.14 per common share, primary on 90.3 million shares and $1.10 per common share, fully diluted, on 97.9 million shares) compared with net income of $77 million ($.79 per common share, primary and fully diluted, on 90.3 million shares and 97.6 million shares, respectively) for the same period in 1994. Results for 1995 were reduced by approximately $31 million of merger-related expenses, which included nonrecurring operating expenses of $27 million primarily due to the vesting of restricted stock and $4 million of interest expense. The corresponding reduction in net income was approximately $19 million, or $.20 per common share, primary and fully diluted. Results for 1994 were reduced by a $10 million, or $.11 per common share, net of tax, cumulative effect of an accounting change for postemployment benefits.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Revenues

The following table presents BN's revenue information by Railroad business unit and includes certain reclassifications of prior year information to conform to current year presentation:
<TABLE>
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	Revenues		Revenue Ton Miles		Revenues Per Revenue Ton Mile	
Three months ended March 31,	1995	1994	1995	1994	1995	1994
	(In Millions)		(In Millions)		(In Cents)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Coal....................	$ 454	$ 418	39,368	32,502	1.15	1.29
Agricultural Commodities	261	191	12,626	7,771	2.07	2.46
Intermodal..............	189	178	6,359	5,897	2.97	3.02
Minerals................	86	86	3,372	3,407	2.55	2.52
Food....................	75	70	2,739	2,471	2.74	2.83
Metals..................	75	65	3,222	2,932	2.33	2.22
Chemicals...............	72	65	2,673	2,289	2.69	2.84
Wood....................	67	66	3,180	3,153	2.11	2.09
Paper...................	51	51	1,695	1,678	3.01	3.04
Vehicles & Machinery....	47	47	691	628	6.80	7.48
Shortlines and other....	(30)	(27)	(2,930)	(2,223)	-	-
Total...................	$1,347	$1,210	72,995	60,505	1.85	2.00

</TABLE>

Total revenues for the first quarter of 1995 were $1,347 million compared with $1,210 million for the same period in 1994. The $137 million increase was primarily due to improved Agricultural Commodities and Coal revenues.

Coal revenues improved $36 million during the first quarter of 1995 due to higher traffic levels caused primarily by increased demand for low-sulfur coal from the Powder River Basin. Partially offsetting the increase was a decline in yields as a result of continuing competitive pricing pressures in contract negotiations and a change in traffic mix.

Revenues from the transportation of Agricultural Commodities during the first quarter of 1995 were $70 million greater than the first quarter of 1994. The

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increase was principally caused by improvements in corn and soybean revenues of $70 million and $16 million, respectively, partially offset by decreases in wheat and barley revenues of $14 million and $5 million, respectively. Both corn and soybean revenues benefited primarily from volume increases. The higher volumes resulted from increased crop production, stronger export demand and favorable weather during the first quarter of 1995. Wheat revenues declined due to weaker export demand while barley revenues decreased as corn displaced barley in certain markets.

Intermodal and Metals revenues increased $11 million and $10 million, respectively, when compared with the first quarter of 1994. The improvement in Intermodal revenues was largely due to an $11 million increase in

Intermodal-international revenues which was the continued result of new business and growth of existing business. The improvement in Metals revenues resulted primarily from increased taconite and coal coke and steel revenues. Taconite and coal coke revenues benefited from resumed production at a plant that was closed during the first quarter of 1994 due to a labor strike. Improved steel revenues resulted primarily from increases in price and average length of haul.

Revenues for Food and Chemicals increased $5 million and $7 million, respectively. The increase in Food revenues resulted primarily from higher traffic levels for bulk food products, farm products and oils. Chemicals revenues also benefited from higher volumes.

First quarter revenues for Minerals, Wood, Paper, and Vehicles & Machinery were relatively flat compared with the first quarter of 1994. Shortlines and other, which are a net reduction of revenues, were also relatively flat when compared with the first quarter of 1994.

Expenses

Total operating expenses for the first quarter of 1995 were $1,130 million compared with expenses of $1,028 million for the same period in 1994. Despite the addition of $27 million of merger-related operating expenses during the first quarter of 1995, the operating ratio was 84 percent, an improvement of one percentage point compared with an operating ratio of 85 percent for the first quarter of 1994. Excluding the merger-related operating costs of $27 million, the operating ratio for the first quarter of 1995 was 82 percent, an improvement of 3 percentage points over the first quarter of 1994.

Compensation and benefits expenses were $42 million greater compared with the first quarter of 1994. Increased traffic levels as well as a four percent basic wage increase for union represented employees effective July 1994 caused increased wages and related payroll taxes of approximately $20 million. A $7 million increase in health and welfare costs for union employees, due to increases in employment levels and insurance premium rates and increased incentive compensation expense also contributed to the higher compensation and benefits expenses.

Fuel expenses for the quarter were $15 million higher compared with 1994 primarily due to increased consumption on higher traffic levels. The average price paid for diesel fuel increased 2.1 cents per gallon to 57.6 cents per gallon in the first quarter of 1995 but this increase was offset by improved

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operating efficiency.

Materials expenses for the first quarter of 1995 decreased $5 million compared with 1994. This decrease was primarily due to a decrease in car repair expense in 1995 and higher locomotive and track materials costs in 1994 resulting from the severe winter weather.

Equipment rents expenses were $10 million higher than the first quarter of 1994 principally due to a larger fleet of leased freight cars in 1995 as well as a continued increase in the leasing of locomotives to meet power

requirements. These increases were partially offset by decreased payments for failure to achieve service commitments compared with 1994 as BN improved its service in 1995.

Purchased services for the quarter decreased $13 million from the first quarter of 1994. The most significant contributing factors were lower environmental remediation expenses, net of recoveries received, higher car repair billings to third parties and lower derailment-related expenses paid to outside contractors.

Depreciation expense for the first three months of 1995 was $12 million higher than the same period in 1994 due to higher traffic levels and an increase in the asset base.

Other operating expenses were $41 million higher compared with the first quarter of 1994. Approximately $27 million of the increase was due to expenses associated with the proposed merger, primarily due to the vesting of restricted stock. Increased derailment expenses of approximately $6 million and increased moving expenses, due to the completion of the centralized train dispatching facility in the first quarter of 1995, also contributed to the higher other operating expenses. These increases were partially offset by a $5 million decrease in costs associated with personal injury claims.

Interest expense for the quarter increased $4 million compared with the first quarter in 1994, due to a higher average outstanding debt balance in 1995 principally resulting from the $500 million unsecured debt incurred to finance the acquisition of the investment in Santa Fe.

Other income (expense), net was $4 million higher in the first quarter of 1995 compared with the same period in 1994. This increase in income was due primarily to the elimination of losses on the sale of accounts receivable in 1995 as the sales agreement expired in December 1994.

The effective tax rate was 39.0 percent for 1995 compared with 38.7 percent for the first quarter of 1994.

Other Matters

Proposed merger

As of June 29, 1994, BNI and Santa Fe entered into an Agreement and Plan of Merger (the Original Agreement) pursuant to which, on the terms and conditions set forth in the Original Agreement, Santa Fe would merge (the Merger) with and into BNI, and BNI would be the surviving corporation and each share of

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Santa Fe common stock would be converted into 0.27 of a share of BNI common stock. The Original Agreement was subsequently amended as of October 26, 1994, December 18, 1994 and January 24, 1995. The Original Agreement, as so amended, is referred to as the Merger Agreement. Pursuant to the Merger Agreement, Santa Fe is to merge with and into BNI with each share of Santa Fe common stock to be exchanged for not less than 0.40 and not more than 0.4347 shares of BNI common stock. The exchange ratio will vary based on the number of additional shares of Santa Fe common stock repurchased by Santa Fe in the

repurchase program referred to below (the Repurchase Program). Stockholders of BNI and Santa Fe approved the Merger Agreement at special stockholders' meetings held on February 7, 1995.

Also pursuant to the Merger Agreement, on December 23, 1994, BNI and Santa Fe commenced tender offers (together, the Tender Offer) to acquire 25 million and 38 million shares of Santa Fe common stock, respectively, at $20 per share in cash. The Tender Offer expired at midnight, Eastern Standard Time, on February 8, 1995, with approximately 111.6 million shares of Santa Fe common stock tendered. As 63 million shares of Santa Fe common stock in the aggregate were accepted for payment by BNI and Santa Fe, tenders by Santa Fe stockholders were subject to proration. The final proration factor for the Tender Offer was approximately 56.5 percent.

On February 6,1995, BNI entered into the $500 million Tender Offer Facility, whereby a group of banks agreed to finance BNI's purchase of shares of Santa Fe common stock in the Tender Offer. Funding of the Tender Offer was completed on February 21, 1995. At BNI's option, borrowings and renewals thereof can be obtained either through a competitive bid or a standby procedure. Rates for borrowing under the standby procedure are, at BNI's option, based upon the selected term of LIBOR or certificate of deposit rate, plus in either case, a spread based upon BNI's senior unsecured debt ratings and the amount borrowed under the Tender Offer Facility, or an alternative base rate.

As of March 31, 1995, Santa Fe had borrowed $1,000 million from a syndicate of financial institutions under a new credit agreement, of which $760 million was used for the Santa Fe tender offer and $240 million was used to replace existing Santa Fe debt and pay related expenses.

Under the Repurchase Program as set forth in the Merger Agreement, Santa Fe is permitted, at its discretion and subject to certain financial and performance criteria of Santa Fe set forth in its credit agreement and the Merger Agreement (including minimum cash flows, cash capital expenditures and maximum total debt), to repurchase up to 10 million shares of Santa Fe common stock prior to consummation of the Merger. The number of shares of BNI common stock to be issued in the Merger will not be affected by the number of additional shares of Santa Fe common stock repurchased by Santa Fe under the Repurchase Program. Accordingly, the exchange ratio of BNI common shares to be offered for each share of outstanding Santa Fe common stock upon consummation of the Merger would be set at not less than 0.40 and not more than 0.4347 shares. As of March 31, 1995, Santa Fe had repurchased approximately 1.4 million shares which would result in an exchange ratio of 0.4044 shares.

Pursuant to the Merger Agreement, two possible structures are available to complete the Merger. Using the current structure, each issued and outstanding

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share of Santa Fe common stock (other than shares of Santa Fe common stock held by Santa Fe as treasury stock or shares held by BNI, all of which will be cancelled) will be exchanged for not less than 0.40 and not more than 0.4347 shares of BNI common stock depending upon the number of additional shares of Santa Fe common stock repurchased by Santa Fe under the Repurchase Program discussed above. BNI will be the surviving corporation. The Merger Agreement

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provides that either BNI or Santa Fe may elect to effect the Merger through the use of a holding company (the Alternative Transaction Structure) as described below. BNI and Santa Fe have established BNSF Corporation (BNSF), a Delaware corporation, for such purpose. Under the Alternative Transaction Structure, BNSF would create two subsidiaries and one subsidiary would merge into BNI and one into Santa Fe. Each holder of BNI common stock would receive one share of BNSF common stock and each holder of Santa Fe common stock, excluding the Santa Fe common stock acquired by BNI in the Tender Offer and the Santa Fe common stock held by Santa Fe as treasury stock, would receive not less than 0.40 and not more than 0.4347 shares of BNSF common stock depending upon the number of additional shares of Santa Fe common stock repurchased by Santa Fe under the Repurchase Program discussed above. The Santa Fe common stock acquired by BNI in the Tender Offer would remain outstanding and the Santa Fe common stock held by Santa Fe as treasury stock would be cancelled. The rights of each stockholder of BNSF would be substantially identical to the rights of a stockholder of BNI, and the Alternative Transaction Structure would have the same economic effect with respect to the stockholders of BNI and Santa Fe as the Merger in its current structure. BNI and Santa Fe have included the option of effecting the Alternative Transaction Structure in order to ensure that the transactions contemplated by the Merger Agreement qualify as tax-free transactions for United States federal income tax purposes. The Merger will be accounted for under the purchase method of accounting upon consummation, and BNI's investment will be included in the purchase price.

As is typical in the context of a merger, certain benefits of officers and employees vested upon approval of the Merger by the stockholders of BNI and Santa Fe. In particular, on February 7, 1995, restrictions previously placed upon certain BNI stock grants lapsed and the previously unearned compensation relating to such restricted stock, included in BNI stockholders' equity, was charged to expense. The unearned compensation relating to restricted stock at the time of vesting and related payroll taxes were approximately $24 million. BNI expects to incur other costs related to the Merger, some of which will be included in the determination of the total purchase price.

Consummation of the Merger is subject to approval by the Interstate Commerce Commission (ICC), approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and other customary conditions. In connection with the ICC proceedings, on January 27, 1995, BNI and Santa Fe requested the ICC to adopt an expedited procedural schedule for reviewing the merger, based on a timetable the ICC had proposed to adopt for all major railroad mergers. On March 9, 1995, the ICC issued a schedule providing for a final decision on the merger application on or before August 23, 1995. Interested parties, including other railroads, shippers and state agencies, indicated their intent to participate in the ICC proceeding on April 10, 1995. Railroad and The Atchison, Topeka and Santa Fe Railway Company have entered into agreements with Union Pacific Railroad Company; Southern Pacific Transportation Company, The Denver Rio Grande Western Railroad Company, St. Louis Southwestern Railway

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Company and SPCSL Corp.; and Kansas City Southern Railway Company, among others, whereby those carriers agreed not to oppose the ICC's approval of the Merger in exchange for grants of certain trackage rights, haulage arrangements or other such arrangements.

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Environmental issues

BN's operations, as well as those of its competitors, are subject to extensive federal, state and local environmental regulation. In order to comply with such regulation and to be consistent with BN's corporate environmental policy, BN's operating procedures include practices to protect the environment. Amounts expended relating to such practices are inextricably contained in the normal day-to-day costs of BN's business operations.

Under the requirements of the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and certain other laws, BN is potentially liable for the cost of clean-up of various contaminated sites identified by the United States Environmental Protection Agency and other agencies. BN has been notified that it is a potentially responsible party (PRP) for study and clean-up costs at approximately 80 sites (the PRP sites) and, in many instances, is one of several PRPs. BN generally participates in the clean-up of these sites through cost-sharing agreements with terms that vary from site to site. Costs are typically allocated based on relative volumetric contribution of material, the amount of time the site was owned or operated, and/or the portion of the total site owned or operated by each PRP. However, under Superfund and certain other laws, as a PRP, BN can be held jointly and severally liable for all environmental costs associated with a site.

Environmental costs include initial site surveys and environmental studies of potentially contaminated sites as well as costs for remediation and restoration of sites determined to be contaminated. Liabilities for environmental clean-up costs are initially recorded when BN's liability for environmental clean-up is both probable and a reasonable estimate of associated costs can be made. Adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. BN conducts an ongoing environmental contingency analysis, which considers a combination of factors, including independent consulting reports, site visits, legal reviews, analysis of the likelihood of participation in and ability to pay for clean-up by other PRPs, and historical trend analyses.

BN is involved in a number of administrative and judicial proceedings and other mandatory clean-up efforts at approximately 160 sites, including the PRP sites, at which BN is being asked to participate in the clean-up of the sites contaminated by material discharged into the environment. BN paid approximately $5 million during the three months ended March 31, 1995 relating to mandatory clean-up efforts, including amounts expended under federal and state voluntary clean-up programs. Recoveries received from insurance companies, net of legal costs incurred, were approximately $5 million during the three months ended March 31, 1995. At this time, BN estimates that it will spend approximately $110 million in future years to remediate and restore all known sites, including $105 million pertaining to mandated sites, of which approximately $75 million relates to the PRP sites. Of the $110 million, BN estimates that it will spend $25 million during the remainder of 1995. Also,

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BN anticipates that the majority of the $110 million will be paid out over a period of less than seven years; however, some costs will be paid out over a longer period, in some cases up to 40 years. At March 31, 1995, 24 sites accounted for approximately $80 million of the accrual and no individual site was considered to be material.

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Liabilities for environmental costs represent BN's best estimates for remediation and restoration of these sites and include asserted and unasserted claims. At March 31, 1995, BN had accrued approximately $110 million for estimated future environmental costs and believes it is reasonably possible, although not probable, that actual environmental costs could be lower than the recorded reserve or as much as 50 percent higher. BN's best estimate of unasserted claims was approximately $5 million as of March 31, 1995. Although recorded liabilities include BN's best estimates of all costs, without reduction for anticipated recovery from insurance, BN's total clean-up costs at these sites cannot be predicted with certainty due to various factors such as the extent of corrective actions that may be required, evolving environmental laws and regulations, advances in environmental technology, the extent of other PRPs' participation in clean-up efforts, developments in ongoing environmental analyses related to sites determined to be contaminated, and developments in environmental surveys and studies of potentially contaminated sites. As a result, charges to income for environmental liabilities could possibly have a significant effect on results of operations in a particular quarter or fiscal year as individual site studies and remediation and restoration efforts proceed or as new sites arise. However, expenditures associated with such liabilities are typically paid out over a long period, in some cases up to 40 years, and are therefore not expected to have a material adverse effect on BN's consolidated financial position, cash flow or liquidity.

Hedging activities

BN has a program to hedge against fluctuations in the price of its diesel fuel purchases. This program includes forward purchases for delivery at fueling facilities and exchange-traded petroleum futures contracts. The futures contracts are accounted for as hedges which are marked to market with any gains or losses associated with changes in market value being deferred and recognized as a component of fuel expense in the period in which the designated fuel is purchased and used. As of March 31, 1995, BN had entered into agreements with fuel suppliers setting the price of fuel to be obtained by taking physical delivery directly from such suppliers at a future date. The average price of the approximately 105 million gallons which BN had committed to purchase was approximately 51 cents per gallon, exclusive of taxes, certain transportation costs and other charges. In addition, BN held petroleum futures contracts representing approximately 86 million gallons at an average price of approximately 49 cents per gallon. These contracts have expiration dates ranging from April to November 1995.

BN's current fuel hedging program is designed to cover no more than 50 percent of projected fuel requirements for the subsequent 12-month period; therefore, hedge positions will not exceed actual fuel requirements. The current and future fuel delivery prices are monitored continuously and hedge positions are adjusted accordingly. In order to reduce risk associated with market movements, fuel hedging transactions do not extend beyond a 12-month period.

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BN purchases petroleum futures contracts only through regulated exchanges (e.g. New York Mercantile Exchange). In order to effectively monitor the fuel hedging activities, results of the program are summarized and reported to senior management on a regular basis.

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Other

In December 1994, BN reached an agreement with the Railroad Yardmasters Division (Yardmasters) of the United Transportation Union which is effective through 1999 with respect to wages, work rules and all other matters except health and welfare benefits. Any changes negotiated with the other unions regarding health and welfare benefits on a national basis will also apply to the BN Yardmasters. Approximately 250 Yardmasters were affected by this agreement.

Labor agreements currently in effect for unions other than Yardmasters include provisions which prohibited the parties from serving notices to change wages, benefits, rules and working conditions prior to November 1, 1994. The next wage adjustment stipulated by the existing agreements is scheduled for July 1995 unless new agreements are reached by the parties prior to that time. The adjustment called for by the contract is a cost of living increase dependent upon changes in the Consumer Price Index not to exceed three percent.

BN joined with the other railroads to negotiate with the unions on a multi-employer basis on November 1, 1994. At that time, all unions were served proposals for productivity improvements as well as other changes. Thereafter, unions also served notices on the railroads which proposed not only increasing wages and benefits but also restoring many of the restrictive work rules and practices that were modified or eliminated under the current agreements. A number of the unions are also challenging the railroads' right to negotiate on a multi-employer basis and the issue is currently pending in Federal District Court in Washington, D.C.

At this time, the railroads and most of the unions are proceeding in direct negotiations on the proposals. Negotiations with three unions are in mediation. The National Mediation Board has scheduled meetings with two of the unions. The ultimate outcome of the negotiations cannot be predicted.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Wheat and barley transportation rates

In September 1980 a class action lawsuit was filed against Railroad in United States District Court for the District of Montana (District Court) challenging the reasonableness of Railroad's export wheat and barley rates. The class consists of Montana grain producers and elevators. The plaintiffs sought a finding that Railroad's single car export wheat and barley rates for shipments moving from Montana to the Pacific Northwest were unreasonably high and requested damages in the amount of $64 million. In March 1981 the District

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Court referred the rate reasonableness issue to the Interstate Commerce Commission (ICC). Subsequently, the State of Montana filed a complaint at the ICC challenging Railroad's multiple car rates for Montana wheat and barley movements occurring after October 1, 1980.

The ICC issued a series of decisions in this case from 1988 to 1991. Under these decisions, the ICC applied a revenue to variable cost test to the rates and determined that Railroad owed $9,685,918 in reparations plus interest. In its last decision, dated November 26, 1991, the ICC found Railroad's total reparations exposure to be $16,559,012 through July 1, 1991. The ICC also found that Railroad's current rates were below a reasonable maximum and vacated its earlier rate prescription order.

Railroad appealed to the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit) those portions of the ICC's decisions concerning the post-October 1, 1980 rate levels. Railroad's primary contention on appeal was that the ICC erred in using the revenue to variable cost rate standard to judge the rates instead of Constrained Market Pricing/Stand Alone Cost principles. The limited portions of decisions that cover pre-October 1, 1980 rates were appealed to the Montana District Court.

On March 24, 1992, the Montana District Court dismissed plaintiffs' case as to all aspects other than those relating to pre-October 1, 1980 rates. On February 9, 1993, the D.C. Circuit served its decision regarding the appeal of the several ICC decisions in this case. The Court held that the ICC did not adequately justify its use of the revenue to variable cost standard as Railroad had argued and remanded the case to the ICC for further administrative proceedings.

On July 22, 1993, the ICC served an order in response to the D.C. Circuit's February 9, 1993 decision. In its order, the ICC stated it would use the Constrained Market Pricing/Stand Alone Cost Standards in assessing the reasonableness of Railroad's wheat and barley rates moving from Montana to Pacific Coast ports from 1978 forward. The ICC assigned the case to the Office of Hearings to develop a procedural schedule. On October 28, 1994, plaintiffs filed their opening evidence arguing that the revenue received by Railroad exceeded the stand alone costs of transporting that traffic and that Railroad's rates were unreasonably high. Railroad filed its evidence March 29, 1995, showing that the stand alone costs of transporting the traffic exceeded the revenue derived by Railroad on that traffic and that consequently, its rates were not unreasonably high. Plaintiffs are to file their rebuttal evidence on July 27, 1995.

Coal Transportation Contract Litigation

On April 26, 1991, an action was filed against Railroad in the 102nd Judicial District Court for Bowie County, Texas seeking a reduction of the transportation rates required to be paid under two contracts (Southwestern Electric Power Company v. Burlington Northern Railroad Company, No. D-102-CV-91-0720). The plaintiff, Southwestern Electric Power Company (SWEPCO), was challenging the contract rates for transportation of coal to its electric generating facilities at Cason, Texas and Flint Creek, Arkansas. SWEPCO contended that productivity gains achieved by Railroad constituted unusual economic conditions giving rise to a "gross inequity" because Railroad's costs of providing service have been reduced over the contracts'

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terms. On August 2, 1994, plaintiff filed an amendment to its complaint to further allege that Railroad had been unjustly enriched by retaining differences between the rates actually charged and those that should have been charged. SWEPCO sought both prospective rate relief and recovery of alleged past overcharges.

Railroad's primary contention was that both parties anticipated productivity gains in the rail industry when negotiating the contracts and agreed that Railroad would retain most of its productivity gains. Railroad further contended that there was no agreement that transportation rates paid by SWEPCO would be based on Railroad's costs of providing service.

On November 18, 1994, the jury rendered a verdict denying plaintiff's request for prospective rate relief and that plaintiff take nothing on its principal claims of "gross inequity." However, Railroad was assessed damages approximating $56 million relating to plaintiff's alternative claim of unjust enrichment. On January 20, 1995, the trial court rendered a judgment on the verdict in an amount approximating $74 million, which included attorneys' fees and interest. The judgment further awarded post judgment interest at 10 percent per annum and issued declaratory orders pertaining to the two contracts. Railroad has appealed. In the opinion of outside counsel, Railroad has a substantial likelihood of prevailing on appeal, although no assurances can be given due to the uncertainties inherent in litigation. Railroad filed Notice of Appeal in the case on February 17, 1995 and posted a bond to stay enforcement of the judgment pending prosecution of all appeals.

Environmental Proceedings

United States Department of Justice

On May 25, 1994, the United States Department of Justice (Department) filed suit on behalf of the United States Environmental Protection Agency (EPA) against Railroad in United States District Court for the Eastern District of Wisconsin for the release of oil and hazardous substances into navigable waters of the United States in the course of three derailments. Specifically referenced are (1) the alleged release of hazardous substances into the Nemadji River and its shoreline near Superior, Wisconsin, on June 30, 1992, (2) the alleged release of oil into the North Platte River and its shoreline near Guernsey, Wyoming, on January 9, 1993, and (3) the alleged release of oil into a tributary of the Bighorn River near Worland, Wyoming, on May 6, 1993.

The suit claims that pursuant to 33 U.S.C. Section 1321(b)(7), Railroad is liable to the United States for civil penalties of up to $25,000 per day of violation or $1,000 per barrel of oil or per reportable quantity of each hazardous substance discharged. The EPA initially calculated the statutory maximum penalty associated with these three spills to be $10,137,000. Railroad has answered the complaint and opposed the penalties sought by the EPA.

On February 13, 1995, Railroad attended a settlement conference with the Department. The settlement conference was called and conducted by the United States Judge Magistrate for the Western District of Wisconsin. At the conference, a settlement was achieved. Pursuant to the compromise, Railroad will pay $1,500,000 to satisfy all claims by the United States for fines, penalties, response costs and natural resource damages. Railroad will also make a $100,000 contribution to a study (jointly approved by Railroad and the

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Department) regarding methods or procedures to improve rail safety and prevent derailments. In return for these payments, the United States will release Railroad from all claims arising out of the three derailments and provide Railroad contribution protection against claims by other responsible parties who may later be pursued by the government for their liability arising from the derailments.

A consent decree confirming the settlement has been drafted, agreed to and signed by the parties. The consent decree has been submitted to the court for approval and is subject only to the public comment procedure for settlements of this kind. Railroad believes final approval of the settlement is highly probable.

State of Illinois

By letter dated January 5, 1995, the State of Illinois (the State) notified Railroad and Beazer East, Inc. (Beazer) that it was preparing to file a complaint against them for the recovery of penalties associated with alleged violations of the Resource Conservation and Recovery Act (RCRA) at the Galesburg Wood Treating Superfund Site in Galesburg, Illinois. The State has informally alleged that it is seeking penalties in excess of $100,000. The exact amount of the State's demand is unknown as Railroad has not been provided with formal notice or detail to support the State's demand.

The alleged RCRA violations stem from Railroad's responsibility at the site as it relates to contamination resulting from the operation of the wood treating facility from 1907 to 1966 and its status as owner from 1966 to the present. Koppers Company, Inc. (now Beazer East, Inc.) and subsequently Koppers Industries, Inc. operated the facility from 1966 to the present. In March 1985, under the Comprehensive Environmental Response Compensation and Liability Act, Railroad and Koppers Company, Inc. entered into a Consent Order to perform a Remedial Investigation and Feasibility Study (RI/FS). Following completion and submission of a RI Report and FS Report, the Illinois Environmental Protection Agency (IEPA) reached a final decision on a remedial action plan on June 29, 1989, and obtained concurrence from the United States Environmental Protection Agency on June 30, 1989. The IEPA then proceeded to negotiate with Railroad and Beazer to implement the remedial action plan. In June 1994, the IEPA settled its claims against Railroad and Beazer for

implementing the final remedial action plan in People v. Koppers Company, Inc., No. 83-CH-92, (9th Circuit Court, Knox County, Illinois), by entering into a Consent Order effective August 30, 1994. Railroad and Beazer agreed in the Consent Order to undertake certain other obligations but specifically to implement the final remedial action plan. However, the Consent Order did not resolve certain alleged RCRA violations which occurred prior to 1985.

Merger-Related Litigation

Several complaints have been filed arising out of BNI's proposed merger (the Merger) with Santa Fe Pacific Corporation (Santa Fe) pursuant to which Santa Fe would merge with and into BNI, and BNI would be the surviving corporation. Between June 30, 1994, shortly after announcement of the Merger, and October 14, 1994, twelve purported stockholder class action suits were filed on behalf of Santa Fe stockholders in the Court of Chancery of the State of Delaware. On October 14, 1994, plaintiffs filed a class action complaint which consolidated and superseded all of the pending stockholder complaints (In re

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Santa Fe Pacific Corporation Shareholder Litigation, Consol. C.A. No. 13587). The Consolidated and Amended Complaint names as defendants Santa Fe, the individual members of the Board of Directors of Santa Fe, and BNI. Plaintiffs seek certification of a class action on behalf of stockholders of Santa Fe as of June 30, 1994.

The Consolidated and Amended Complaint, in addition to making allegations against Santa Fe and Santa Fe's directors, alleges that BNI aided and abetted Santa Fe's directors in breaches of their fiduciary duties, including their fiduciary duties of good faith, loyalty, care and disclosure. The Consolidated and Amended Complaint alleges that BNI aided and abetted various acts or omissions by Santa Fe's directors in respect of the proposed merger with BNI, including their allegedly material misrepresentations in and failure to completely disclose all material information in the joint proxy statement/prospectus dated October 12, 1994 (the Joint Proxy Statement/Prospectus).

In the Consolidated and Amended Complaint, plaintiffs ask the court to order Santa Fe's directors to carry out their fiduciary duties to plaintiffs; enjoin consummation of the Merger; order the Santa Fe directors to explore alternative transactions and to negotiate in good faith with all interested persons, including Union Pacific Corporation (UP); order the Santa Fe directors to provide access to information concerning Santa Fe or the Merger to any bona fide bidder, including UP; in the event the Merger is consummated, rescind the Merger and award rescissory damages; decree that the original merger agreement between BNI and Santa Fe (Original Agreement) has an implied right of termination in response to a superior offer for Santa Fe or, in the alternative, invalidate the Original Agreement as unlawful for failing to include such a termination provision; award damages; order an accounting by defendants of all profits realized by them as a result of these wrongful actions and to hold these profits in a constructive trust pending the accounting; and award costs and disbursements including reasonable attorneys' and experts' fees.

On October 7, 1994, the stockholder plaintiffs moved the court for expedited discovery and an expedited hearing on their motions for a preliminary injunction on a schedule that would enable the motion to be heard and decided before Santa Fe's stockholders voted at a stockholders' meeting on November 18, 1994. On October 18, 1994, after receiving submissions from the parties, Vice Chancellor Jacobs denied plaintiffs' motion for expedited proceedings because plaintiffs had "failed to demonstrate a need for this Court to involve itself in this dispute before Santa Fe's stockholders decide whether or not to approve the Santa Fe-BNI merger."

On October 26, 1994, BNI filed a Motion to Dismiss the Consolidated and Amended Complaint.

On January 26, 1995, the plaintiffs in the Santa Fe stockholder litigation filed a motion for a preliminary injunction seeking to enjoin Santa Fe's Board of Directors from taking certain allegedly improper actions, including actions intended to render Santa Fe's rights plan inapplicable to any proposal to acquire Santa Fe. The stockholder plaintiffs also filed a motion requesting expedited proceedings.

On January 30, 1995, the Court of Chancery of the State of Delaware issued a written opinion denying the motions of the plaintiff stockholders for

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expedited proceedings and refusing to schedule a hearing on their motions for preliminary injunctions.

The stockholder plaintiffs have indicated that they intend to pursue their claims. The motions of BNI and Santa Fe to dismiss the stockholder action have been fully briefed and are pending before the Court of Chancery of the State of Delaware. Oral argument on the motions was heard on April 11, 1995, and the Court has not yet made a ruling. A trial has tentatively been scheduled to commence on July 12, 1995.

BNI believes the stockholder action is without merit and intends to oppose it vigorously.

In addition to the stockholder litigation described above, on October 6, 1994, UP filed in the Court of Chancery of the State of Delaware a lawsuit against Santa Fe, Santa Fe's directors and BNI (Union Pacific Corporation v. Santa Fe Pacific Corporation, C.A. No. 13778). This complaint alleged that Santa Fe's directors have breached their fiduciary duties by rejecting UP's merger proposal "out of hand," by refusing to negotiate with UP, and by threatening to bring suit against UP and its Chief Executive Officer. Numerous motions were made and other actions taken in connection with the UP litigation through January 1995. On January 31, 1995, UP withdrew its acquisition proposal for Santa Fe and, on February 24, 1995, agreed to dismiss its action against the defendants, including BNI, without prejudice.

PART II OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The date of the special meeting was February 7, 1995.
(b) Not required.
(c) The following matter was voted on at the meeting:
The Agreement and Plan of Merger dated as of June 29, 1994, between Burlington Northern Inc. and Santa Fe Pacific Corporation, as amended, (the Merger) was approved and adopted. A vote for the Merger also constituted a vote for the Alternative Transaction Structure.

Affirmative Votes	Negative Votes	Abstentions	Broker Nonvotes
69,819,458	19,159,653*	236,287	None

* 15,645,944 of the shares included in this number represent shares not present in person or by proxy at the special meeting. Failure to vote in this instance was recorded as a negative vote.

PART II OTHER INFORMATION

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Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

The following exhibits are filed as part of this report:

Designation	Nature of Exhibit	Page Number
2.1	Amendment No. 3, dated as of January 24, 1995, between Burlington Northern Inc. (BNI) and Santa Fe Pacific Corporation (Santa Fe) to Agreement and Plan of Merger, dated as of June 29, 1994, between BNI and Santa Fe (Form 8-K/A, dated January 24, 1995, filed January 1995).	*
2.2	Letter Agreement dated January 24, 1995, among Burlington Northern Inc., Santa Fe Pacific Corporation and Alleghany Corporation (Schedule 14D-1/A, Amendment No. 3, filed January 1995).	*
2.3	Letter Agreement dated January 24, 1995, among Burlington Northern Inc., Santa Fe Pacific Corporation and George McFadden (Schedule 14D-1/A, Amendment No. 3, filed January 1995).	*
10.1	5-Year Competitive Advance and Revolving Credit Facility Agreement, dated as of February 6, 1995, between Burlington Northern Inc. and a consortium of lenders.	**
10.2	Employment Agreement, dated January 5, 1995, between Burlington Northern Railroad Company and the Honorable Allan B. Swift.	**
11	Computation of earnings per common share.	**
12	Computation of ratio of earnings to fixed charges.	**
27	Financial Data Schedule.	**

* Exhibit is incorporated by reference as indicated.
** Exhibit is filed with Form 10-Q for the quarter ended March 31, 1995.

B. Reports on Form 8-K

During the period, a report on Form 8-K, dated January 19, 1995, was filed attaching a press release of Burlington Northern Inc. (BNI) dated January 19, 1995 announcing its fourth quarter and annual earnings.

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During the period, a report on Form 8-K, dated January 24, 1995, as amended on Form 8-K/A, dated January 24, 1995, was filed attaching a press release dated January 24, 1995 announcing the execution of Amendment No. 3 to the Agreement and Plan of Merger (the Merger), dated as of June 29, 1994, between BNI and Santa Fe Pacific Corporation and announcing the agreement with Alleghany Corporation and George McFadden to vote in favor of adoption of the Merger. Supplemental joint proxy materials relating to the Merger which were mailed to stockholders on or about January 26, 1995 were also attached.

Items 2, 3 and 5 of Part II were not applicable and have been omitted.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Burlington Northern Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 10th day of May, 1995.

BURLINGTON NORTHERN INC.

By: /s/ David C. Anderson
Executive Vice President,
Chief Financial Officer and
Chief Accounting Officer

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BURLINGTON NORTHERN INC. and SUBSIDIARIES

Exhibit Index

Exhibit Number	Description	Sequentially Numbered Page
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10.2	Employment Agreement, dated January 5, 1995, between Burlington Northern Railroad Company and the Honorable Allan B. Swift.	
11	Computation of earnings per common share.	
12	Computation of ratio of earnings to fixed charges.	
27	Financial Data Schedule.	

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5-YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY AGREEMENT

Dated as of February 6, 1995

among

BURLINGTON NORTHERN INC.,

THE LENDERS NAMED HEREIN,

TEXAS COMMERCE BANK NATIONAL ASSOCIATION,

as Administrative Agent

and

CHEMICAL BANK,

as Competitive Advance Facility Agent

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Exhibit D	Form of Opinion of Counsel for the Borrower
Exhibit E	Form of Opinion of Counsel for Burlington

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Northern Railroad Company

Schedule 2.01 Commitments
Schedule 6.04(a) Existing Liens

5-YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY AGREEMENT dated as of February 6, 1995, among BURLINGTON NORTHERN INC., a Delaware corporation (the "Borrower"); the lenders listed in Schedule 2.01 hereto (the "Lenders"); TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association, as administrative agent (in such capacity, the "Administrative Agent") and CHEMICAL BANK, as competitive advance facility agent (in such capacity, the "CAF Agent").

The Borrower has requested the Lenders to extend credit to the Borrower in order to enable it to borrow on a standby revolving credit basis on and after the date hereof and at any time and from time to time prior to the Maturity Date (as herein defined) a principal amount not in excess of $500,000,000 at any time outstanding. The Borrower has also requested the Lenders to provide a procedure pursuant to which the Borrower may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Borrower. Santa Fe Pacific Corporation ("Santa Fe") and the Borrower have amended their Agreement and Plan of Merger dated as of June 29, 1994 and amended as of October 26, 1994, December 18, 1994 and January 24, 1995, to provide for the commencement by Santa Fe and the Borrower of tender offers pursuant to which the Borrower and Santa Fe would offer to purchase 25,000,000 and 38,000,000 shares, respectively, of the issued and outstanding common stock of Santa Fe at a price of $20 per share in cash. The Agreement and Plan of Merger, as so amended, provides that, following the purchase of shares in such tender offers and the receipt of required approvals from the Interstate Commerce Commission, Santa Fe will be merged with and into the Borrower (the "Merger") and the capital stock of Santa Fe outstanding immediately prior to the Merger (other than the shares owned by the Borrower) will be converted into the right to receive shares of common stock of the Borrower. The proceeds of the borrowings hereunder are to be used solely to provide funds for the purchase by the Borrower, pursuant to its tender offer, of shares of common stock of Santa Fe. The Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions herein set forth.

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Accordingly, the Borrower, the Lenders, the Administrative Agent and the CAF Agent agree as follows:

ARTICLE I. DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"Adjusted CD Rate" shall mean, with respect to any CD Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the sum of (a) a rate per annum equal to the product of (i) the Fixed CD Rate in effect for such Interest Period and (ii) Statutory Reserves, plus (b) the Assessment Rate. For purposes hereof, the term "Fixed CD Rate" shall mean the arithmetic average (rounded upwards, if necessary, to the next 1/100 of 1%) of the prevailing rates per annum bid at or about 10:00 a.m., New York City time, to each Reference Bank on the first Business Day of the Interest Period applicable to such CD Borrowing by three New York City negotiable certificate of deposit dealers of recognized standing for the purchase at face value of negotiable certificates of deposit of such Reference Bank in a principal amount approximately equal to such Reference Bank's portion of such CD Borrowing and with a maturity comparable to such Interest Period.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit B hereto.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the person specified.

"Agent Fees" shall have the meaning given such term in Section 2.07(b).

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"Agents" shall mean the CAF Agent and the Administrative Agent.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded

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upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof, "Prime Rate" shall mean as of a particular date,

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the prime rate most recently announced by the Administrative Agent and thereafter entered in the minutes of the Administrative Agent's Loan and Discount Committee, automatically fluctuating upward and downward with and at the time specified in each such announcement without notice to the Borrower or any other person, which prime rate may not necessarily represent the lowest or best rate actually charged to a customer. "Base CD Rate" shall mean the sum of

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(a) the product of (i) the Three-Month Secondary CD Rate and (ii) Statutory Reserves and (b) the Assessment Rate. "Three-Month Secondary CD Rate" shall

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mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it. "Federal Funds Effective Rate" shall mean,

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for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which

determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the

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first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"Alternative Merger" shall mean the merger provided for in Section 1.8 of the Merger Agreement, as a result of which the Borrower and Santa Fe would become subsidiaries of a newly formed holding company and cross-stream Affiliates of one another.

"Applicable Fee Percentage" shall mean on any date the applicable percentage set forth below based upon the ratings applicable on such date to the Borrower's senior, unsecured, non-credit-enhanced long-term indebtedness for borrowed money ("Index Debt"):

	Applicable Facility Fee Percentage	Applicable Utilization Fee Percentage
Category 1		
BBB or above by S&P; Baa2 or above by Moody's	.150%	.100%
Category 2		
BBB- by S&P; Baa3 by Moody's	.200%	.150%
Category 3		
BB+ or below by S&P; Ba1 or below by Moody's	.250%	.150%

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for Index Debt (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such

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rating agency

will be deemed to have established a rating for Index Debt in Category 3; (ii) if the ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the Applicable Fee Percentage shall be determined by reference to the inferior (or numerically highest) Category and (iii) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P), such change shall be effective as of the date on which such change is first announced by the rating agency making such change. Each change in the Applicable Fee Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency, and pending agreement on such amendment, the rating in effect immediately prior to such change or cessation will be used in determining the Applicable Fee Percentage.

"Applicable Margin" shall mean on any date, with respect to Eurodollar Standby Loans or CD Loans, as the case may be, the applicable spreads set forth below based upon the ratings applicable on such date to the Borrower's Index Debt:

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<S>	Eurodollar Loan Spread <C>	CD Loan Spreads <C>
Category 1		
BBB or above by S&P; Baa2 or above by Moody's	.250%	.375%
Category 2		
BBB- by S&P; Baa3 by Moody's	.275%	.400%
Category 3		

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BB+ or below by S&P; Ba1 or below by Moody's	.475%	.600%

</TABLE>

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for Index Debt (other than because such rating agency shall no longer be in the

business of rating corporate debt obligations), then such rating agency will be deemed to have established a rating for Index Debt in Category 3; (ii) if the ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the Applicable Margin shall be determined by reference to the inferior (or numerically higher) Category and (iii) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P), such change shall be effective as of the date on which such change is first announced by the rating agency making such change. Each change in the Applicable Margin shall apply to all Eurodollar Standby Loans, CD Loans and ABR Loans that are outstanding at any time during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the nonavailability of ratings from such rating agency, and pending agreement on such amendment, the rating in effect immediately prior to such change or cessation will be used in determining the Applicable Margin.

"Assessment Rate" shall mean for any date the annual rate (rounded upwards, if necessary, to the next 1/100 of 1%) most recently estimated by the Administrative Agent as the then current net annual assessment rate that will be employed in determining amounts payable by the Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for insurance by such Corporation (or such successor) of time deposits made in dollars at the Administrative Agent's domestic offices.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit C.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

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"Borrowing" shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive

Borrowing, by the Lender or Lenders whose Competitive Bids have been accepted pursuant to Section 2.03) on a single date and as to which a single Interest Period is in effect.

"Business Day" shall mean any day (other than a day which is a Saturday, Sunday or legal holiday in the State of Texas or New York) on which banks are open for business in Houston and New York City; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"CD Borrowing" shall mean a Borrowing comprised of CD Loans.

"CD Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the Adjusted CD Rate in accordance with the provisions of Article II.

A "Change in Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities and Exchange Commission as in effect on the date hereof) shall own directly or indirectly, beneficially or of record, shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower (other than as the result of a transaction approved by the Borrower's Board of Directors), (b) a majority of the seats (other than vacant seats) on the board of directors of the Borrower shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated, or (c) any person or group shall otherwise directly or indirectly obtain control of the Borrower (other than in a transaction approved by the Borrower's Board of Directors).

"Closing Date" shall mean the date hereof.

"Code" shall mean the Internal Revenue Code of 1986, as the same may

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be amended from time to time.

"Commitment" shall mean, with respect to each Lender, the commitment
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of such Lender hereunder as set forth in Schedule 2.01 hereto, as such Lender's Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.12. The Commitments shall automatically and permanently terminate on the Maturity Date.

"Commitment Letter" shall mean the commitment letter dated December
----
22, 1994, among the Borrower, the Agents and Chemical Securities Inc.

"Competitive Bid" shall mean an offer by a Lender to make a

Competitive Loan pursuant to Section 2.03.

"Competitive Bid Accept/Reject Letter" shall mean a notification made
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by the Borrower pursuant to Section 2.03(d) in the form of Exhibit A-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a
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Lender pursuant to Section 2.03(b), (i) in the case of a Eurodollar Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to
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Section 2.03 in the form of Exhibit A-1.

"Competitive Borrowing" shall mean a borrowing consisting of a
----
Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by the Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a loan from a Lender to the Borrower
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pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"Consolidated Tangible Net Worth" shall mean preferred stockholder's
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and common stockholder's equity of the Borrower (other than mandatorily redeemable preferred stock) minus intangible assets of the Borrower and its consolidated Subsidiaries.

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"Debt" shall mean, without duplication, (i) indebtedness for borrowed money or for the deferred purchase price of property or services whether evidenced by bonds, debentures, notes or similar instruments or otherwise (but excluding, in any case, liabilities by endorsement of negotiable instruments for deposit or collection and liabilities with respect to accounts payable incurred in the ordinary course of business), (ii) obligations as lessee under leases which shall have been or should be, in accordance with GAAP recorded as capital leases and

(iii) obligations under direct or indirect guarantees in respect of, and obligations to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness on obligations of persons (other than the Borrower and its consolidated Subsidiaries) of the kinds referred to in clauses (i) and (ii) above.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"dollars" or "$" shall mean lawful money of the United States of America.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any person who for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or is under common control with the Borrower, within the meaning of Section 414 of the Code and the regulations promulgated and rulings issued thereunder.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Competitive Borrowing" shall mean a Competitive Borrowing comprised of Eurodollar Competitive Loans.

"Eurodollar Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

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"Eurodollar Loan" shall mean any Eurodollar Competitive Loan or Eurodollar Standby Loan.

"Eurodollar Standby Borrowing" shall mean a Standby Borrowing comprised of Eurodollar Standby Loans.

"Eurodollar Standby Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning given such term in Article VII.

"Existing Liens" shall mean Liens existing on the date hereof and described on Schedule 6.04(a) hereto and any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by such Lien, but only to the extent the amount of such Debt shall not be increased.

"Existing Mortgages" shall mean each security or other agreement of whatever nature described within the Burlington Northern Inc. Long-Term Debt Book dated December 31, 1994, a copy of which has been delivered by the Borrower to the Administrative Agent, as such agreements may have been amended or modified to the date hereof or as they may be amended, supplemented, replaced or modified from time to time hereafter.

"Facility Fee" shall have the meaning assigned to such term in Section 2.07(a).

"Federal Funds Effective Rate" shall have the meaning assigned thereto in the definition of Alternate Base Rate.

"Fees" shall mean the Facility Fee, the Utilization Fee and the Agent Fees.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

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"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at
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a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"GAAP" shall mean United States generally accepted accounting
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principles, applied on a basis consistent with the Borrower's audited financial statements referred to in paragraph (e) of Article III hereof.

"Governmental Authority" shall mean any Federal, state, local or
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foreign court or governmental agency, authority, instrumentality or regulatory body.

"ICC" shall mean the Interstate Commerce Commission or any successor
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thereto.

"Index Debt" shall have the meaning assigned thereto in the
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definition of Applicable Fee Percentage.

"Insufficiency" shall mean, with respect to any Plan, the amount, if
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any, by which the present value of the benefit liabilities under such Plan exceeds the fair market value of the assets of such Plan.

"Interest Payment Date" shall mean, with respect to any Loan, the last
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day of the Interest Period applicable thereto and, in the case of a Eurodollar Loan with an Interest Period of more than three months duration or a Fixed Rate Loan or a CD Loan with an Interest Period of more than 90 days duration, each day that would have been an Interest Payment Date for such Loan had successive Interest Periods of three months duration or 90 days duration, as the case may be, been applicable to such Loan and, in addition, the date of any refinancing or conversion of such Loan with or to a Loan of a different Type.

"Interest Period" shall mean (a) as to any Eurodollar Borrowing, the
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period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is (i) in the case of any Eurodollar Competitive Loan, any whole number of months (but not more than 12 months) thereafter, as the Borrower may elect and (ii) in the case of any Eurodollar Standby Loan, 1, 2, 3 or 6 months or, with the

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approval of all the Lenders, 9 or 12 months thereafter, as the Borrower may elect, (b) as to any CD Borrowing, a period of 30, 60, 90, 180, 270 or 360 days duration, as the Borrower may elect, commencing on the date of such Borrowing, (c) as to any ABR Borrowing, the period commencing on the date of such Borrowing and ending on the date 90 days thereafter or, if earlier, on the Maturity Date or the date of repayment, prepayment or conversion of such Borrowing and (d) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day

unless, in the case of Eurodollar Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum equal to the average (rounded upwards, if necessary, to the next 1/16 of 1%) of the rates per annum at which dollar deposits for a maturity comparable to such Interest Period are offered by the principal London offices of the Reference Banks (or, if any Reference Bank does not at the time maintain a London office, the principal London office of any Affiliate of such Reference Bank) in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period in amounts approximately equal to the amount of such Borrowing.

"Lien" shall mean any lien, security interest or other charge or encumbrance, or any assignment of the right to receive income, or any other type of preferential arrangement, in each case to secure any obligation of any person.

"Loan" shall mean any Competitive Loan or Standby Loan.

"Loan Documents" shall mean this Agreement and the Fee Letter dated December 22, 1994 among the Agents, Chemical Securities Inc. and the Borrower.

"Margin" shall mean, as to any Eurodollar Competitive Loan, the

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margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Margin Stock" shall have the meaning given such term under Regulation U.

"Material Adverse Effect" shall mean a material adverse effect on the financial condition or operations of

the Borrower and its consolidated Subsidiaries on a consolidated basis.

"Material Plan" shall mean any Plan the assets of which exceed $50,000,000 or the liabilities of which for unfunded benefit liabilities exceed $15,000,000.

"Maturity Date" shall mean February 6, 2000.

"Merger" shall have the meaning assigned to such term in the preamble hereto.

"Merger Agreement" shall mean the agreement and Plan of Merger between the Borrower and Santa Fe dated as of June 29, 1994 and amended as of October 26, 1994, December 18, 1994 and January 24, 1995.

"Moody's" shall mean Moody's Investors Service, Inc.

"Mortgage Indenture" shall mean the Consolidated Mortgage, dated March 2, 1970, by Burlington Northern Inc, (the former name of the Burlington Northern Railroad Company) to Morgan Guaranty Trust Company of New York and Jacob M. Ford II, as trustees, as amended to the date hereof and as amended, supplemented or modified from time to time hereafter.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or

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accrued an obligation to make contributions, such plan being maintained pursuant to one or more collective bargaining agreements.

"Multiple Employer Plan" shall mean a single employer plan, as defined in Section 4001(a)(15) of ERISA, which (i) is maintained for employees of the Borrower or an ERISA Affiliate and at least one person other than the Borrower and its ERISA Affiliates or (ii) was so maintained and in respect of which the Borrower or an ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA, or any successor thereto.

"person" shall mean any natural person, corporation, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any pension plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code which is maintained for employees of the Borrower or any ERISA Affiliate.

"Reference Banks" shall mean Texas Commerce Bank National Association, The Chase Manhattan Bank, N.A. and The First National Bank of Chicago.

"Register" shall have the meaning given such term in Section 9.04(d).

"Regulation D" shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation G" shall mean Regulation G of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to

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time in effect and all official rulings and interpretations thereunder or thereof.

"Required Lenders" shall mean, at any time, Lenders having Commitments representing at least 55% of the Total Commitment or, for purposes of acceleration pursuant to clause (ii) of Article VII, Lenders holding Loans representing at least 55% of the aggregate principal amount of the Loans outstanding.

"Responsible Officer" shall mean with respect to the subject matter of any covenant, agreement, or obligation of the Borrower contained in this Agreement, the president, any vice president, treasurer, assistant treasurer or other

officer of the Borrower who in the normal performance of his or her operational responsibility would have knowledge of such subject matter and the requirements of such covenants, agreements or obligations of the Borrower with respect thereto.

"S&P" shall mean Standard and Poor's Ratings Group.

"Santa Fe" shall have the meaning assigned to such term in the preamble hereto.

"Santa Fe Debt" shall mean the credit facilities aggregating $1,560,000,000 the proceeds of which shall be used to provide funds to Santa Fe for the purchase by Santa Fe of 38,000,000 shares of issued and common stock of Santa Fe pursuant to the tender offer by Santa Fe and to refinance existing debt of Santa Fe.

"Significant Subsidiary" shall mean Burlington Northern Railroad Company, BN Leasing Corporation and any other Subsidiary of the Borrower satisfying the definition of "significant subsidiary" as set forth in Section 210.1-02 of Regulation S-X of the Securities and Exchange Commission, except that in each place the phrase "10 percent" appears in such definition "5 percent" shall be inserted in its place.

"Standby Borrowing" shall mean a borrowing consisting of simultaneous Standby Loans from each of the Lenders.

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"Standby Borrowing Request" shall mean a request made pursuant to Section 2.04 in the form of Exhibit A-5.

"Standby Loans" shall mean the revolving loans made by the lenders to the Borrower pursuant to Section 2.04. Each Standby Loan shall be a Eurodollar Standby Loan, a CD Standby Loan or an ABR Standby Loan.

"Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves), expressed as a decimal established by the Board and any other banking authority to which the Administrative Agent is subject for new negotiable nonpersonal time deposits in dollars of over $100,000 with maturities approximately equal to (i) the applicable Interest Period,

in the case of the Adjusted CD Rate, and (ii) three months, in the case of the Base CD Rate (as such term is used in the definition of "Alternate Base Rate"). Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held, or (b) which is, at the time any determination is made, otherwise controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean any subsidiary of the Borrower.

"Tender Offer" shall mean the tender offer described in and made pursuant to the Tender Offer Statement, and "Tender Offers" shall mean the Tender Offer and the tender offer by Santa Fe referred to in the preamble hereto.

"Tender Offer Statement" shall mean the Tender Offer Statement of the Borrower and Santa Fe on Form 14D-1 dated December 23, 1994, as supplemented on

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January 13, 1995, and further supplemented on January 25, 1995.

"Termination Event" shall mean (i) a "reportable event," as such term is described in Section 4043 of ERISA, (ii) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a "substantial employer," as such term is defined in Section 4001(a)(2) of ERISA, or the incurrence of liability by the Borrower or any ERISA Affiliate under Section 4064 of ERISA upon the termination of a Multiple Employer Plan, (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, (iv) the institution of proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, (v) a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Code) with respect to any Plan or (vi) any other event or condition which might constitute grounds under Section 4042

of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Total Commitment" shall mean at any time the aggregate amount of the Lenders' Commitments, as in effect at such time.

"Transfer" shall have the meaning given such term in Section 6.02.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, "Rate" shall include the LIBO Rate, the Adjusted CD Rate, the Alternate Base Rate and the Fixed Rate.

"Utilization Fee" shall have the meaning assigned to such term in Section 2.07(b).

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and

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"including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that, for purposes of determining compliance with any covenant set forth in Section 5.04 or Article VI, such terms shall be construed in accordance with GAAP as in effect on the date of this Agreement applied on a basis consistent with the application used in preparing the Borrower's audited financial statements referred to in paragraph (e) of Article III.

ARTICLE II. THE CREDITS

SECTION 2.01 Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Standby Loans to the Borrower, at any time and from time to time on and after the date hereof and until the earlier of the Maturity Date and the termination of the Commitment of such Lender, in an aggregate principal amount at any time outstanding not to exceed such Lender's Commitment minus the amount by which the Competitive Loans outstanding at such time shall be deemed to have used such Commitment pursuant to Section 2.17, subject, however, to the conditions that (a) at no time shall (i) the sum of (x) the outstanding aggregate principal amount of all Standby Loans made by all Lenders plus (y) the outstanding aggregate principal amount of all Competitive Loans made by all Lenders exceed (ii) the Total Commitment and (b) at all times the outstanding aggregate principal amount of all Standby Loans made by each Lender shall equal the product of (i) the percentage which its Commitment represents of the Total Commitment times (ii) the outstanding aggregate principal amount of all Standby Loans made pursuant to Section 2.04. Each Lender's Commitment is set forth opposite its respective name in Schedule 2.01. Such Commitments may be terminated or reduced from time to time pursuant to Section 2.12. Within the foregoing limits, the Borrower may borrow and, pay or prepay hereunder, on and after the Closing Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans. (a) Each Standby Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their Commitments; provided, however, that the failure of any Lender to make any Standby Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be

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responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. The Loans comprising any Borrowing shall be (i) in the case of Competitive Loans, in an aggregate principal amount which is an integral multiple of $1,000,000 and not less than $5,000,000 and (ii) in the case of Standby Loans, in an aggregate principal amount which is an integral multiple of $1,000,000 and not less than $20,000,000 (or an

aggregate principal amount equal to the remaining balance of the available Commitments).

(b) Each Competitive Borrowing shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans and each Standby Borrowing shall be comprised entirely of Eurodollar Standby Loans, CD Loans or ABR Loans, as the Borrower may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Borrowing which, if made, would result in an aggregate of more than twelve separate Standby Loans of any Lender being outstanding hereunder at any one time. For purposes of the foregoing, Loans having different Interest Periods, regardless of whether they commence or end on the same date, shall be considered separate Loans.

(c) Subject to Section 2.05, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to the Administrative Agent in Houston, Texas, not later than 1:00 p.m., New York City time, and the Administrative Agent shall by 3:00 p.m., New York City time, credit the amounts so received in immediately available funds to an account designated by the Borrower with the Administrative Agent or, if a borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders. Competitive Loans shall be made by the Lender or Lenders whose Competitive Bids therefor are accepted pursuant to Section 2.03 in the amounts so accepted and Standby Loans shall be made by the Lenders pro rata in accordance with Section 2.17. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (or prior to 12:00 noon on the date of such borrowing, in the case of an ABR Borrowing) that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with this paragraph (c) and

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the Administrative Agent may, in reliance upon such assumption,

make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Effective Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, the Borrower shall hand deliver or telecopy (or communicate by telephone with prompt confirmation by telecopy or in writing) to the CAF Agent (with a copy to the Administrative Agent) a duly completed Competitive Bid Request in the form of Exhibit A-1 hereto, to be received by the CAF Agent (and the Administrative Agent) (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, four Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, one Business Day before a proposed Competitive Borrowing. No CD Loan or ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit A-1 may be rejected in the CAF Agent's sole discretion, and the CAF Agent shall promptly notify the Borrower of such rejection by telecopier (or by telephone with prompt confirmation by telecopier or in writing). Such request shall in each case refer to this Agreement and specify (x) whether the Borrowing then being requested is to be a Eurodollar Borrowing or a Fixed Rate Borrowing, (y) the date of such Borrowing (which shall be a Business Day) and the aggregate principal amount thereof which shall be in a minimum principal amount of $5,000,000 and in an integral multiple of $1,000,000, and (z) the Interest Period with respect

thereto (which may not end after the Maturity Date). Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the CAF Agent shall invite by telecopier (in the form set forth in Exhibit A-2 hereto) the Lenders to bid, on the terms and conditions of this Agreement, to make Competitive Loans pursuant to the Competitive Bid Request.

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(b) Each Lender may, in its sole discretion, make one or more Competitive Bids to the Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a lender must be received by the CAF Agent via telecopier, in the form of Exhibit A-3 hereto, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing. Multiple bids will be accepted by the CAF Agent. Competitive Bids that do not conform substantially to the format of Exhibit A-3 may be rejected by the CAF Agent, and the CAF Agent shall notify the Lender making such nonconforming bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be in a minimum principal amount of $5,000,000 and in an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make to the Borrower, (y) the Competitive Bid Rate or Rates at which the Lender is prepared to make the Competitive Loan or Loans and (z) the Interest Period and the last day thereof. If any Lender shall elect not to make a Competitive Bid, such Lender shall so notify the CAF Agent by telecopier (I) in the case of Eurodollar Competitive Loans, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing, and (II) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing; provided, however, that failure by any Lender to give such notice shall not
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cause such Lender to be obligated to make any Competitive Loan as part of such Competitive Borrowing. A Competitive Bid submitted by a Lender pursuant to this paragraph (b) shall be irrevocable.

(c) The CAF Agent shall promptly notify the Borrower by telecopier (or by telephone promptly confirmed by telecopier) of all the Competitive Bids made, the

Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid was made and the identity of the Lender that made each bid. The CAF Agent shall send a copy of all Competitive Bids to the Borrower for its records as soon as practicable after completion of the bidding process set forth in this Section 2.03.

(d) the Borrower may in its sole and absolute discretion, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid referred to in paragraph (c) above. The Borrower shall notify the CAF Agent by telephone, confirmed by telecopier in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject any of or all the bids referred to in paragraph (c) above, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing, and (y)

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in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the day of a proposed Competitive Borrowing; provided, however, that (i) the failure by the Borrower to give such notice shall be deemed to be a rejection of all the bids referred to in paragraph (c) above, (ii) the Borrower shall not accept a bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (iv) if the Borrower shall accept a bid or bids made at a particular Competitive Bid Rate but the amount of such bid or bids shall cause the total amount of bids to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then the Borrower shall accept a portion of such bid or bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted with respect to such Competitive Bid Request, which acceptance, in the case of multiple bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such bid at such Competitive Bid Rate, and (v) except pursuant to clause (iv) above, no bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of $5,000,000 and an integral multiple of $1,000,000; provided further, however, that if a Competitive Loan must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may

be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (iv) above the amounts shall be rounded to integral multiples of $1,000,000 in a manner which shall be in the discretion of the Borrower. A notice given by the Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The CAF Agent shall promptly notify each bidding Lender whether or not its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Rate) by telecopy sent by the CAF Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Loan in respect of which its bid has been accepted. The CAF Agent shall also promptly notify the Administrative Agent of the Competitive Bids that have been accepted, the amounts thereof and the Competitive Bid Rates applicable thereto.

(f) If the CAF Agent shall become a Lender and shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such bid directly to the Borrower one quarter of an hour earlier than the earliest time at which the other Lenders are required to submit their bids to the CAF Agent pursuant to paragraph (b) above. The CAF Agent will in no event disclose the terms of any Lender's Competitive Bid to any other Lender; provided that following the

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acceptance or rejection of Competitive Bids submitted in response to any Competitive Bid Request, the CAF Agent may at the request of any Lender disclose information as to the range of the Competitive Bid Rates at which Competitive Bids were submitted or accepted.

(g) All notices required by this Section 2.03 shall be given in accordance with Section 9.01.

SECTION 2.04. Standby Borrowing Procedure. In order to request a Standby Borrowing, the Borrower shall hand deliver or telecopy (or communicate by telephone with prompt confirmation by telecopy or in writing) to the Administrative Agent a duly completed Standby Borrowing Request in the form of Exhibit A-5 (a) in the case of a Eurodollar Standby Borrowing, not later than 11:00 a.m., New York City time, three Business Days before a proposed borrowing, (b) in the case of a CD Borrowing, not later than 11:00 a.m., New York City time, two Business Days before a

proposed borrowing and (c) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the day of a proposed borrowing. No Fixed Rate Loan shall be requested or made pursuant to a Standby Borrowing Request. Such notice shall be irrevocable and shall in each case specify (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing, a CD Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day) and the amount thereof which shall be in a minimum principal amount of $20,000,000 and in an integral multiple of $1,000,000; and (iii) if such Borrowing is to be a Eurodollar Borrowing or CD Borrowing, the Interest Period with respect thereto. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing or CD Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration, in the case of a Eurodollar Borrowing, or 30 days' duration, in the case of a CD Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.04 of its election to refinance a Standby Borrowing prior to the end of the Interest Period in effect for such Borrowing, then the Borrower shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an ABR Borrowing. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 and of each Lender's portion of the requested Borrowing.

SECTION 2.05. Refinancings. The Borrower may refinance all or any part of any Competitive Borrowing or Standby Borrowing with a Borrowing of the same or a different Type made pursuant to Section 2.03 or Section 2.04, subject to the conditions and limitations set forth herein and elsewhere in this Agreement, including refinancings of Competitive Borrowings with Standby Borrowings and Standby Borrowings with Competitive Borrowings. Any Borrowing or

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part thereof so refinanced shall be deemed to be repaid in accordance with Section 2.08 with the proceeds of a new Borrowing hereunder and the proceeds of the new Borrowing, to the extent they do not exceed the principal amount of the Borrowing being refinanced, shall not be paid by the Lenders to the Administrative Agent or by the Administrative Agent to the Borrower pursuant to Section 2.02(c); provided, however,

that (i) if the principal amount extended by a Lender in a refinancing is greater than the principal amount extended by such Lender in the Borrowing being refinanced, then such Lender shall pay such difference to the Administrative Agent for distribution to the Lenders described in (ii) below, (ii) if the principal amount extended by a Lender in the Borrowing being refinanced is greater than the principal amount being extended by such Lender in the refinancing, the Administrative Agent shall return the difference to such Lender out of amounts received pursuant to (i) above, and (iii) to the extent any Lender fails to pay the Administrative Agent amounts due from it pursuant to (i) above, any Loan or portion thereof being refinanced with such amounts shall not be deemed repaid in accordance with Section 2.08 and shall be payable by the Borrower.

SECTION 2.06. Conversion and Continuation of Standby Borrowings. The Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (i) not later than 11:00 a.m., New York City time, one Business Day prior to conversion, to convert any Eurodollar Standby Borrowing or CD Borrowing into an ABR Borrowing, (ii) not later than 11:00 a.m., New York City time, two Business Days prior to conversion or continuation, to convert any Eurodollar Standby Borrowing or ABR Borrowing into a CD Borrowing or to continue any CD Borrowing as a CD Borrowing for an additional Interest Period, (iii) not later than 11:00 a.m., New York City time, three Business Days prior to conversion or continuation, to convert any ABR Borrowing or CD Borrowing into a Eurodollar Standby Borrowing or to continue any Eurodollar Standby Borrowing as a Eurodollar Standby Borrowing for an additional Interest Period, (iv) not later than 11:00 a.m., New York City time, three Business Days prior to conversion, to convert the Interest Period with respect to any Eurodollar Standby Borrowing to another permissible Interest Period and (v) not later than 11:00 a.m., New York City time, two Business Days prior to conversion, to convert the Interest Period with respect to any CD Borrowing to another permissible Interest Period, subject in each case to the following:

(a) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Standby Borrowing;

(b) if less than all the outstanding principal amount of any Standby Borrowing shall be converted or

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continued, the aggregate principal amount of such Standby Borrowing converted or continued shall be an integral multiple of $1,000,0000 and not less than $20,000,000;

(c) if any Eurodollar Standby Borrowing or CD Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.16;

(d) any portion of a Standby Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Standby Borrowing;

(e) any portion of a Standby Borrowing maturing or required to be repaid in less than 30 days may not be converted into or continued as a CD Borrowing;

(f) any portion of a Eurodollar Standby Borrowing or CD Borrowing which cannot be converted into or continued as a Eurodollar Standby Borrowing or a CD Borrowing by reason of clauses (d) and (e) above shall be automatically converted at the end of the Interest Period in effect for such Borrowing into an ABR Borrowing; and

(g) no Interest Period may be selected for any Eurodollar Standby Borrowing or CD Borrowing that would end later than the Maturity Date.

Each notice pursuant to this Section 2.06 shall be by hand delivery or telecopier (or by telephone with prompt confirmation by telecopier or in writing) and irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Standby Borrowing that the Borrower requests be converted or continued, (ii) whether such Standby Borrowing is to be converted to or continued as a Eurodollar Standby Borrowing, a CD Borrowing or an ABR Borrowing, (iii) in such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Standby Borrowing is to be converted to or continued as a Eurodollar Standby Borrowing or CD Borrowing, the Interest Period with respect thereto. If no interest Period is specified in any such notice with respect to any conversion to or continuation as a Eurodollar Standby Borrowing or CD Borrowing, the Borrower shall be deemed to

have selected an Interest Period of one month's duration, in the case of a Eurodollar Standby Borrowing, or 30 days' duration, in the case of a CD Borrowing. The Administrative Agent shall advise the other Lenders of any notice given pursuant to this Section 2.06 and of each Lender's portion of any

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converted or continued Standby Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.06 to continue any Standby Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.06 to convert such Standby Borrowing), such Standby Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into a new Interest Period as an ABR Borrowing.

SECTION 2.07. Fees. (a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 and on the Maturity Date, a facility fee (a "Facility Fee") equal to the Applicable Fee Percentage on the daily average amount of the Commitment of such Lender, whether used or unused (and whether or not the conditions set forth in Section 4.01 shall have been satisfied), during the preceding quarter (or shorter period commencing with the date hereof, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated and all outstanding Loans of such Lender repaid). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as appropriate. The Facility Fee due to each Lender shall commence to accrue on the earlier of the date of this Agreement and January 30, 1995, and shall cease to accrue on the earlier of the Maturity Date and the date on which the Commitment of such Lender shall have been terminated and all outstanding Loans of such Lender repaid.

(b) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 and on each date on which the Commitment of such Lender shall be terminated or reduced as provided herein, a utilization fee (a "Utilization Fee") equal to (i) 50% of the Applicable Fee Percentage on the aggregate outstanding Loans of such Lender for each day on which the aggregate outstanding Loans are greater than 33-1/3% but less than or equal to 66-2/3% of $500,000,000 or (ii) 100% of the Applicable Fee Percentage on the aggregate outstanding Loans of such Lender for each day on which the aggregate outstanding Loans exceed 66-2/3% of $500,000,000.

(c) The Borrower agrees to pay the Agents, through the Administrative Agent, for the Agents' own accounts, the fees set forth in the Commitment Letter and in the Fee letter dated December 22, 1994 among the Agents, Chemical Securities Inc. and the Borrower (the "Agent Fees") at the times and in the amounts set forth therein.

(d) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders. Once paid, none of the Fees (other than fees paid in error

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and not required to have been paid under the terms of this Agreement) shall be refundable under any circumstances.

SECTION 2.08. Repayment of Loans. (a) The Borrower agrees to pay the outstanding principal balance of each Loan on the Maturity Date. Each Loan shall bear interest from the date of the Borrowing of which such Loan is a part on the outstanding principal balance thereof as set forth in Section 2.09.

(b) Each Lender shall, and is hereby authorized by the Borrower to, maintain, in accordance with its usual practice, records evidencing the indebtedness of the Borrower to such Lender hereunder from time to time, including the amounts and Types of and the Interest Periods applicable to the Loans made by such Lender from time to time and the amounts of principal and interest paid to such Lender from time to time in respect of such Loans.

(c) The entries made in the records maintained pursuant to paragraph (b) of this Section 2.08 and in the Register maintained by the Administrative Agent pursuant to Section 9.04(d) shall be prima facie evidence of the existence and amounts of the obligations of the Borrower to which such entries relate; provided, however, that the failure of any Lender or the Administrative Agent to maintain or to make any entry in such records or the Register, as applicable, or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

SECTION 2.09. Interest on Loans. (a) Subject to the provisions of Section 2.10, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each Eurodollar Standby Loan, the LIBO Rate for the Interest

Period in effect for such Borrowing plus the Applicable Margin from time to time in effect and (ii) in the case of each Eurodollar Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(b) Subject to the provisions of Section 2.10, the Loans comprising each CD Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the Adjusted CD Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin from time to time in effect.

(c) Subject to the provisions of Section 2.10, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as appropriate, when

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determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate.

(d) Subject to the provisions of Section 2.10, each Fixed Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(e) Interest on each Loan shall be payable in arrears on each Interest Payment Date applicable to such Loan except as otherwise provided in this Agreement. The applicable LIBO Rate, Adjusted CD Rate or Alternate Base Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error. The Administrative Agent shall promptly advise the Borrower and each Lender, as appropriate, of such determination.

SECTION 2.10. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, whether by scheduled maturity, notice of prepayment, acceleration or otherwise, the Borrower shall on demand from time to time from the Administrative Agent pay interest, to the extent permitted by law, on such defaulted amount up to

(but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as appropriate, when determined by reference to the Prime Rate and over a year of 360 days at all other times) equal to the Alternate Base Rate plus 1%.

SECTION 2.11. Alternate Rate of Interest. (a) In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined (i) that dollar deposits in the principal amounts of the Eurodollar Loans comprising such Borrowing are not generally available in the London interbank market, or (ii) that the rates at which such dollar deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining its Eurodollar Loan during such Interest Period, or (iii) that reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy notice of such determination to the Borrower and the Lenders. In the event of any such determination, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (A) in the event the circumstances referred to in (i) or (iii) above are applicable, any request by the Borrower for a Eurodollar Competitive Borrowing pursuant to Section 2.03 shall be of no force and effect

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and shall be denied by the CAF Agent and (B) any request by the Borrower for a Eurodollar Standby Borrowing shall be deemed to be a request for an ABR Borrowing (x) as to all Lenders, in the event the circumstances referred to in (i) or (iii) above are applicable, or (y) as to each affected Lender, in the event only the circumstances referred to in (ii) above are applicable, or (y) as to each affected Lender, in the event only the circumstances referred to in (ii) above are applicable. In the event the circumstances referred to in (ii) above are applicable, all payments and prepayments of principal which would otherwise have been made on account of Eurodollar Loans of the affected Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of such Eurodollar Loans. Each determination by the Administrative agent hereunder shall be conclusive absent demonstrable error.

(b) In the event, and on each occasion, that on or before the day on which the Adjusted CD Rate for a CD Borrowing is to be determined the Administrative Agent shall have determined (i) that such Adjusted CD Rate cannot be

determined for any reason, including the inability of the Administrative Agent to obtain sufficient bids in accordance with the terms of the definition of Fixed CD Rate, or (ii) that the Adjusted CD Rate for such CD Borrowing will not adequately and fairly reflect the cost to any Lender of making or maintaining its CD Loan during such Interest Period, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy notice of such determination to the Borrower and the Lenders. In the event of any such determination, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a CD Borrowing shall be deemed to be a request for an ABR Borrowing (a) as to all Lenders, in the event the circumstances referred to in (i) above are applicable, or (b) as to each affected Lender, in the event only the circumstances referred to in (ii) above are applicable. In the event the circumstances referred to under (ii) above are applicable, all payments and prepayments of principal which would otherwise have been made on account of CD Loans of the affected Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of such Loans. Each determination by the Administrative Agent hereunder shall be conclusive absent demonstrable error.

SECTION 2.12. Termination and Reduction of Commitments. (a) The Commitments shall be automatically terminated on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Total Commitment; provided, however, that (i) each partial reduction of the Total Commitment shall be in an integral multiple of $1,000,000 and in a minimum principal amount of $5,000,000 and (ii) no such termination or reduction shall

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be made which would reduce the Total Commitment to an amount less than the aggregate outstanding principal amount of the Competitive Loans.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated

or reduced accrued to but not including the date of such termination or reduction.

SECTION 2.13. Prepayment. (a) the Borrower shall have the right at any time and from time to time to prepay any Standby Borrowing, in whole or in part, upon giving written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Administrative Agent: (i) before 12:00 noon, New york City time, three Business Days prior to prepayment, in the case of Eurodollar Loans, (ii) before 12:00 noon, New York City time, two Business Days prior to prepayment, in the case of CD Loans, and (iii) before 12:00 noon, New York City time, one Business Day prior to prepayment, in the case of ABR Loans; provided, however, that each partial prepayment shall be in an amount which is an integral multiple of $1,000,000 and not less than $5,000,000. The Borrower shall not have the right to prepay any Competitive Borrowing. Any prepayment by the Borrower other than with the proceeds of another Borrowing shall result in a reduction of the Total Commitment in an amount equal to such prepayment.

(b) On the date of any termination or reduction of the Commitments pursuant to Section 2.12, the Borrower shall pay or prepay so much of the Standby Borrowings as shall be necessary in order that the aggregate principal amount of the Competitive Loans and Standby Loans outstanding will not exceed the Total Commitment after giving effect to such termination or reduction.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing (or portion thereof) by the amount stated therein on the date stated therein. All prepayments under this Section 2.13 shall be subject to Section 2.16 but otherwise without premium or penalty. All prepayments under this Section 2.13 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.14. Reserve Requirements: Change in Circumstances. (a) Notwithstanding any other provision herein, if after the date of this Agreement

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any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of

taxation of payments to any Lender of the Principal of or interest on any Eurodollar Loan, CD Loan or Fixed Rate Loan made by such Lender or any Fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or by any political subdivision or taxing authority therein), or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by such Lender (except any such reserve requirement which is reflected in the Adjusted CD Rate), or shall impose on such Lender or the London interbank market any other condition affecting this Agreement or any Eurodollar Loan, CD Loan or Fixed Rate Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan, CD Loan or Fixed Rate Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower will pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered. Notwithstanding the foregoing, no Lender shall be entitled to request compensation under this paragraph with respect to any Competitive Loan if it shall have been aware of the change giving rise to such request at the time of submission of the Competitive Bid pursuant to which such Competitive Loan shall have been made.

(b) If any Lender shall have determined that the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such

Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such

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applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth such amount or amounts as shall be necessary to compensate such Lender as specified in paragraph (a) or (b) above, as the case may be, shall be delivered to the Borrower and shall be conclusive absent demonstrable error. The Borrower shall pay each Lender the amount shown as due on any such certificate delivered by it within 10 days after the receipt of the same.

(d) Except as provided in this paragraph, failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed. No Lender shall be entitled to compensation under this Section 2.14 for any costs incurred or reductions suffered with respect to any date unless it shall have notified the Borrower that it will demand compensation for such costs or reductions under paragraph (c) above not more than 60 days after the later of (i) such date and (ii) the date on which it shall have become aware of such costs or reductions.

SECTION 2.15. Change in Legality. (a) Notwithstanding any other provison herein, if any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated

hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

(i) declare that Eurodollar Loans will not thereafter be made by such Lender hereunder, whereupon such Lender shall not submit a Competitive Bid in response to a request for Eurodollar Competitive Loans and any request by the Borrower for a Eurodollar Standby Borrowing shall, as to such Lender only, be deemed a request for an ABR Borrowing unless such declaration shall be subsequently withdrawn (and such Lender agrees to withdraw any such declaration if legally permissible); and

(ii) require that all outstanding Eurodollar Loans made by it be

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converted to ABR Loans (or in the case of a Eurodollar Competitive Loan, a Loan bearing interest at a rate equal to the Alternate Base Rate), as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.15, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.16. Indemnity. The Borrower shall indemnify each Lender against any actual loss or expense which such Lender may sustain or incur as a consequence of (a) any failure by the Borrower to fulfill on the date of any borrowing hereunder the applicable conditions set forth in Article IV, (b) any failure by the Borrower to borrow or to refinance, convert or continue any Loan hereunder after irrevocable notice of such borrowing, refinancing or continuation has been given pursuant to Section 2.03, 2.04 or 2.06, (c) any payment, prepayment or conversion of a

Eurodollar Loan, CD loan or Fixed Rate Loan required by any other provision of this Agreement or otherwise made or deemed made, and any assignment of a Loan pursuant to Section 2.21, on a date other than the last day of the Interest Period applicable thereto, (d) any default in payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, whether by scheduled maturity, acceleration, irrevocable notice of prepayment or otherwise) or (e) the occurrence of any Event of Default, including, in each such case, any actual loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Eurodollar Loan, CD loan or Fixed Rate Loan. Such loss or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such lender, of (i) its cost of obtaining the funds for the Loan being paid, prepaid, converted, not borrowed, not refinanced, not converted, not continued or assigned (assumed to be the LIBO Rate or Adjusted CD Rate or, in the case of a Fixed Rate Loan, the fixed rate of interest applicable thereto) for the period from the date of such payment, prepayment, failure to borrow, failure to refinance, failure to convert, failure to continue or assignment to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, refinance, convert or continue, the interest Period for such Loan which would have commenced on the date of such

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failure) over (ii) the amount of interest (as reasonably determined by such Lender) that would be realized by such Lender in reemploying the funds so paid, prepaid, not borrowed, not refinanced, not converted, not continued or assigned for such period or Interest Period, as the case may be. A certificate of any lender setting forth any amount or amounts which such lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent demonstrable error.

SECTION 2.17. Pro Rata Treatment. Except as required under Section 2.15, each Standby Borrowing, each payment or prepayment of principal of any Standby Borrowing, each payment of interest on the Standby Loans, each payment of the Facility Fees, each reduction of the Commitments and each refinancing of any Borrowing with a Standby Borrowing of any Type, shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in

accordance with the respective principal amounts of their outstanding Standby Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining (i) the aggregate available Commitments of the Lenders at any time and (ii) the available Commitment of each Lender, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders which shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole dollar amount.

SECTION 2.18. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) from the Borrower or its assets in respect of any Standby Loan or Loans as a result of which the unpaid principal portion of its Standby Loans shall be proportionately less than the unpaid principal portion of the Standby Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the

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Standby Loans of such other Lender, so that the aggregate unpaid principal amount of the Standby Loans and participations in the Standby Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Standby Loans then outstanding as the principal amount of its Standby Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Standby Loans outstanding prior to such exercise of banker's lien, setoff

or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.18 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Standby Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Standby Loan directly to the Borrower in the amount of such participation.

SECTION 2.19. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder and under each other Loan Document not later than 12:00 noon, New York City time, on the date when due in dollars to the Administrative Agent at its offices at 712 Main Street, Houston, Texas, in immediately available funds.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.20. Taxes. (a) Any and all payments by the Borrower hereunder shall be made, in accordance with Section 2.19, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding taxes, levies, imposts, deductions, charges and withholdings imposed on the Administrative Agent's or any Lender's (or any transferee's or assignee's including a participation holder's (any such entity a "Transferee")) net income and franchise, capital or license taxes imposed on the Administrative Agent or any Lender (or Transferee by the United States or any other jurisdiction under

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the laws of which it is organized, domiciled, resident or doing business (other than doing business as a result of its participation in the

transactions contemplated by the Loan Documents) or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Lenders (or any Transferee) or the Administrative Agent, (i) the sum payable shall be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.20) such Lender (or Transferee) or the Administrative Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower (or the Administrative Agent, as applicable) shall make such deductions at the applicable rate and (iii) the Borrower (or the Administrative Agent, as applicable) shall pay the full amount deducted to the relevant taxing authority or other Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "Other Taxes").

(c) The borrower will indemnify each Lender (or Transferee) and the Administrative Agent for the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.20) paid by such Lender (or Transferee) or the Administrative Agent, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant taxing authority or other Governmental Authority. Such indemnification shall be made within 30 days after the date any Lender (or Transferee) or the Administrative Agent, as the case may be, makes written demand therefor; *provided, however*, that the Borrower shall not have any obligation to indemnify the Administrative agent or any Lender (or Transferee) for interest and penalties that are imposed on the Administrative Agent or such Lender (or Transferee) with respect to the period after the expiration of the Notice Period with respect to any Tax if such Administrative Agent or such Lender fails to give written notice to the Borrower

within 45 days of its receipt of any written assertion by the relevant taxing authority or other Governmental Authority that such Tax is due with respect to

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the transactions contemplated by the Loan Documents (such 45 day period being the "Notice Period" referred to above). If a Lender (or Transferee) or the Administrative Agent shall become aware that it is entitled to receive a refund (or a credit against taxes not indemnifiable hereunder) in respect of Taxes or Other Taxes, it shall promptly notify the Borrower of the availability of such refund (or credit) and shall, within 30 days after receipt of a request by the Borrower, apply for such refund at the Borrower's expense. If any Lender (or Transferee) or the Administrative Agent receives a refund (or a credit against taxes not indemnifiable hereunder) in respect of any Taxes or Other Taxes for which such Lender (or Transferee) or the Administrative Agent has received payment from the Borrower hereunder it shall promptly notify the Borrower of such refund (or credit) and shall, within 30 days after receipt of a request by the Borrower (or promptly upon receipt, if the Borrower has requested application for such refund (or credit) pursuant hereto), repay such refund (or credit) to the Borrower, net of all out-of-pocket expenses (including taxes not indemnifiable hereunder, to the extent that no deduction or credit has previously been claimed and utilized in connection therewith by such Lender) of such Lender but including interest received from a taxing authority or other Governmental Authority and fairly attributable to such refund, provided that the Borrower, upon the request of such Lender (or Transferee) or the Administrative Agent, agrees to return such refund (plus penalties, interest or other charges) to such Lender (or Transferee) or the Administrative Agent in the event such Lender (or Transferee) or the Administrative Agent is required to repay such refund. Each of the Administrative Agent, each Lender and each Transferee, with respect to itself, agrees to indemnify and hold harmless the Borrower (and, in the case of each Lender and each Transferee, to indemnify and hold harmless the Administrative Agent) from any taxes, penalties, interest and other expenses, costs and losses incurred or payable by the Borrower (or the Administrative Agent, as applicable) as a result of the failure of the Borrower to comply with clauses (ii) and (iii) of Section 2.20(a) in reliance on any form or certificate provided to it by such person pursuant to Section 2.20(f).

(d) Within 30 days after the date of any payment of Taxes or Other Taxes withheld by the Borrower in respect

of any payment to any Lender (or Transferee) or the Administrative Agent, the Borrower will furnish to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof or other customary evidence of such payment.

(e) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.20 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(f) On or prior to the Closing Date (in the case of any Lender and the Administrative Agent) and on or prior to the date any Transferee becomes a Transferee hereunder (in the case of any Transferee), and, upon written

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request of the Borrower or the Administrative Agent, on or prior to the immediately following due date of any payment by the Borrower hereunder, each Lender (or Transferee) which is organized outside the United States shall deliver to the Borrower such certificates, documents or other evidence, as required by the Code or Treasury Regulations issued pursuant thereto, including Internal Revenue Service Form 1001 or Form 4224 and any other certificate or statement of exemption required by Treasury Regulation Section 1.1441-1(a) or Section 1.1441-6(c) or any subsequent version thereof, properly completed and duly executed by such Lender (or Transferee) establishing that such payment is (i) not subject to withholding under the Code because such payment is effectively connected with the conduct by such Lender (or Transferee) of a trade or business in the United States or (ii) totally exempt from United States tax under a provision of an applicable tax treaty. Unless the Borrower and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder and in respect of the Loans are not subject to United States withholding tax the Borrower or the Administrative Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender (or Transferee) organized under the laws of a jurisdiction outside the United States.

(g) The Borrower shall not be required to pay any additional amounts to any Lender (or Transferee) in respect of United States withholding tax pursuant to paragraph (a) above except to the extent such United States withholding tax (a) results from (i) a change in applicable law,

regulation or official interpretation thereof or (ii) an amendment, modification or revocation of any applicable tax treaty or a change in official position regarding the application or interpretation thereof, in each case after the Closing Date (and, in the case of a Transferee, after the date of assignment or transfer) or (b) in the case of a Transferee, is imposed at a rate that does not exceed the rate (determined at the time of transfer or assignment) of United States withholding tax with respect to which the Borrower was required to pay to such Transferee's transferor or assignor.

SECTION 2.21. Termination or Assignment of Commitments Under Certain Circumstances. (a) Any Lender (or Transferee) claiming any additional amounts payable pursuant to Section 2.14 or Section 2.20 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Borrower or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender (or Transferee).

(b) In the event that any Lender shall have delivered a notice or certificate pursuant to Section 2.14 or 2.15, or the Borrower shall be required

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to make additional payments to any Lender under Section 2.20, the Borrower shall have the right, at its own expense, upon notice to such Lender and the Administrative Agent, (a) to terminate the Commitment of such Lender or (b) to require such Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 9.04) all its interests, rights and obligations under this Agreement to another financial institution acceptable to the Administrative Agent which shall assume such obligations; provided that (i) no such termination or assignment shall conflict with any law,
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rule or regulation or order of any Governmental Authority and (ii) the Borrower or the assignee, as the case may be, shall pay to the affected Lender in immediately available funds on the date of such termination or assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder, including any amount required to be paid by Section 2.16.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to each of the Lenders that:

(a) Each of the Borrower, Burlington Northern Railroad Company and BN Leasing Corporation is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. Each of the Borrower, Burlington Northern Railroad Company and BN Leasing Corporation possesses all corporate powers and all other authorizations and licenses necessary to engage in its business and operations as now conducted, the failure to obtain or maintain which would result in a Material Adverse Effect.

(b) The execution, delivery and performance by the Borrower of this Agreement are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's certificate of incorporation or by-laws or (ii) any law or contractual restriction binding on or affecting the Borrower.

(c) There is no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority (including, the ICC) required for the due execution, delivery and performance by the Borrower of this Agreement which has not been obtained or made, as the case may be.

(d) This Agreement is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally or by the applicability of equitable principles.

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(e) The consolidated balance sheets of the Borrower and its consolidated Subsidiaries as at December 31, 1993 and September 30, 1994, and the related consolidated statements of income and cash flows for the fiscal year and quarters, respectively, then ended, copies of which have been furnished to each Lender, fairly present the consolidated financial condition of the Borrower and such Subsidiaries as at

such dates and the results of their operations for the periods ended on such dates, all in accordance with GAAP consistently applied, and since September 30, 1994, there has been no material adverse change in such condition or operations.

(f) There is no pending or threatened action or proceeding against or involving the Borrower or any of its Subsidiaries before any Governmental Authority or arbitrator other than the proceedings before the ICC (or any successor agency) relating to the Merger which has a reasonable probability (taking into account the exhaustion of all appeals) of resulting in a Material Adverse Effect.

(g) The Borrower and its Subsidiaries have duly paid and discharged all taxes, assessments and governmental charges upon it or against its properties now due and payable, the failure to pay which would result in a Material Adverse Effect unless and to the extent only that the same are being contested in good faith and by appropriate proceedings by the Borrower or such Subsidiaries.

(h) The Borrower and its Subsidiaries have good title to their properties and assets except for (i) existing or future liens, security interests, mortgages, conditional sales arrangements and other encumbrances (including reversionary title interests) either securing Debt or other liabilities of the Borrower or any of its Subsidiaries or which the Borrower in its reasonable business judgment determines would not be reasonably expected to materially interfere with the railroad business or railroad operations of the Borrower's Subsidiaries as conducted from time to time and (ii) irregularities therein which do not materially interfere with the business or operations of the Borrower and its Subsidiaries as conducted from time to time.

(i) No Termination Event has occurred or is reasonably expected to occur with respect to any Plan which, with the giving of notice or lapse of time, or both, would constitute an Event of Default under paragraph (g) of Article VII.

(j) The statement of assets and liabilities of each Plan covered by the report of Coopers & Lybrand

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referred to below as of December 31, 1993, and the statements of changes in fund balance and in financial position, or the statement of changes in net assets available for plan benefits, for the plan year then ended, reported on by Coopers & Lybrand, copies of which have been furnished to the Administrative Agent, fairly present the financial condition of such Plan as at such date and the results of operations of such Plan for the plan year ended on such date.

(k) Neither the Borrower nor any ERISA Affiliate has incurred, or is reasonably expected to incur, any Withdrawal Liability to any Multiemployer Plan which, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liability (as of the date of determination), exceeds $50,000,000.

(l) Neither the Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no Multiemployer Plan is reasonably expected to be in reorganization or to be terminated within the meaning of Title IV of ERISA, the effect of which reorganization or termination would be the occurrence of an Event of Default under paragraph (i) of Article VII.

(m) Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock. No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board, including Regulation G, U or X.

(n) Neither the Borrower nor any Subsidiary is (i) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (ii) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

(o) The Borrower will use the proceeds of the Loans only for the purpose specified in the preamble to this Agreement.

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(p) Neither the Borrower nor any of its Subsidiaries is, to the best of its knowledge, in violation of any law or statute, or in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court or governmental agency or instrumentality, where such violation or default would result in a Material Adverse Effect.

(q) On the Closing Date, there has been no material adverse change in or affecting the business, assets, liabilities or operations of the Borrower or in the condition (financial or otherwise) or prospects of the Borrower from those shown in the information furnished to the Lenders prior to the date hereof.

(r) To the best knowledge of the Borrower, on the Closing Date all insurable properties of the Borrower and each Subsidiary are adequately insured as part of an insurance program including risk retention and self insurance by financially sound and reputable insurers to such extent and against such risks and liabilities (including liability under Federal, state, local and other statutes and regulations relating to the environment or to employee health and safety) as is customary with companies similarly situated and in the same or similar businesses.

ARTICLE IV. CONDITIONS OF LENDING

The obligations of the Lenders to make Loans hereunder are subject to (a) the Commitments having become effective as provided in Section 4.01 below and (b) the satisfaction of the conditions set forth in Sections 4.02 (in the case of the initial borrowing only) and 4.03 below.

SECTION 4.01. Conditions to Effectiveness of Commitments. The Commitments shall become effective at such time as the following conditions shall have been satisfied:

(a) The Agents shall have received the favorable written opinion of Francis T. Kelly, Esq., counsel for the Borrower, dated the date hereof and addressed to the Agents and the Lenders, to the effect set forth in

Exhibit D hereto, and the Borrower hereby instructs such counsel to deliver such opinion to the Agents.

(b) The Agents shall have received a favorable written opinion of Douglas J. Babb, Vice President and General Counsel of Burlington Northern Railroad Company as to certain ICC regulatory matters, dated the date hereof and addressed to the Agents and the Lenders, to the effect set forth in Exhibit E hereto, and the Borrower hereby instructs such counsel to deliver such opinion to the Agents.

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(c) All legal matters incident to this Agreement and the borrowings hereunder shall be satisfactory to the Lenders and their counsel and to Cravath, Swaine & Moore, counsel for the Agents.

(d) The Agents shall have received (i) a copy of the certificate or articles of incorporation, including all amendments thereto, of the Borrower, certified as of a date shortly before the date hereof by the Secretary of State of the state of its organization, and a certificate as to the good standing of the Borrower as of a date shortly before the date hereof, from such Secretary of State; (ii) a certificate of the Secretary or Assistant Secretary of the Borrower dated the date hereof and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on the date hereof and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower authorizing the execution, delivery and performance of the Loan Documents and the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation of the Borrower have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other

documents as the Lenders or their counsel or Cravath, Swaine & Moore, counsel for the Agents, may reasonably request.

(e) The Agents shall have received a certificate, dated the date hereof and signed by the treasurer or the chief financial officer of the Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.03.

(f) The boards of directors of the Borrower and Santa Fe and the shareholders of each shall have approved the Merger Agreement and the Merger and, in the case of such boards of directors, the Tender Offers in accordance with applicable law and the charter and by-laws of the Borrower and Santa Fe.

(g) The Agents shall have received all Fees or other amounts due and payable on or prior to the Closing Date.

SECTION 4.02. Conditions to Initial Borrowing. On the date of the

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initial Borrowing:

(a) There shall be no litigation or administrative proceedings or other legal or regulatory developments, actual or threatened (other than the ICC proceeding currently pending in respect of the Merger), which, in the reasonable judgment of the Lenders, would (i) be likely to affect materially and adversely the business, assets, condition (financial or otherwise) or prospects of the Borrower, or the ability of the Borrower to perform its obligations under this Agreement or (ii) prevent or impose burdensome conditions on the transactions contemplated hereby which could materially and adversely affect the creditworthiness of the Borrower.

(b) All waivers and consents necessary for the consummation of the transactions contemplated hereby in respect of any indebtedness of the Borrower shall have been obtained.

(c) The conditions to the acceptance of shares in the Tender Offers shall have been satisfied, and the Borrower shall have accepted for purchase 25,000,000 shares of the outstanding common stock of Santa Fe in accordance with applicable law and the terms of the

Tender Offer (and without any amendment or waiver of the terms or conditions of the Tender Offer (as set forth in the Tender Offer Statement) which shall not have been approved by the Lenders and which could materially and adversely affect the rights or interests of the Lenders).

(d) The Lenders shall be satisfied with the terms and conditions of the Tender Offers and the Merger and all agreements to be entered into in connection therewith, it being agreed that the Tender Offer Statement, the Merger Agreement, the tender offer statement of Santa Fe, the credit agreement being entered into by Santa Fe and certain financial institutions, in each case in the form heretofore delivered to the Lenders, and the terms and conditions of the Tender Offers and the Merger set forth therein, are satisfactory to the Lenders.

(e) The Borrower shall have delivered to the Lenders a certificate of an appropriate senior executive officer to the effect that it is aware of no material impediment, and has no reason to believe that there will be a material impediment, to the completion of the Merger substantially on the terms contemplated by the Merger Agreement and the Tender Offer Statement, as in effect on the date hereof, and without the imposition of burdensome conditions.

(f) There shall have been no material adverse change in or affecting the business, assets, liabilities or operations of the Borrower or in the conditions (financial or otherwise) or prospects of the Borrower from those

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shown in the information furnished to the Lenders prior to the date hereof.

SECTION 4.03. Conditions to All Borrowings. On the date of each Borrowing, including each Borrowing in which Loans are refinanced with new Loans as contemplated by Section 2.05:

(a) The Agents shall have received a notice of such Borrowings as required by Section 2.03 or Section 2.04, as applicable.

(b) The representations and warranties set forth in Article III hereof (except, in the case of a refinancing of a Standby Borrowing with a new Standby

Borrowing that does not increase the aggregate principal amount of the Loans of any Lender outstanding, those contained in paragraphs (e), (f), (g), (h) and (j) of Article III, and, except in the case of any Borrowing on a date after the Closing Date, that contained in paragraph (j) of Article III) shall be true and correct in all material respects on and as of the date of such Borrowings with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) The Borrower shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such Borrowing no Event of Default or Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date of such Borrowing as to the matters specified in paragraphs (b) and (c) of this Section 4.03.

ARTICLE V. AFFIRMATIVE COVENANTS

The Borrower covenants and agrees with each Lender and the Agents that, so long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other expenses or amounts payable under any Loan Document shall be unpaid, unless the Required Lenders shall otherwise consent in writing, the Borrower will:

SECTION 5.01. Existence; Businesses and Properties. (a) Preserve and maintain, and cause each Significant Subsidiary to preserve and maintain, its

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corporate existence, rights (charter and statute) and material franchises, except as otherwise permitted by Sections 6.03 and 6.04.

(b) Comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, rules, regulations and orders (including laws requiring payment of all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith by appropriate proceedings) except where the

failure to so comply would not have a Material Adverse Effect.

(c) Maintain and preserve, and cause each Significant Subsidiary to maintain and preserve, all of its properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, to the extent that any failure to do so would have a Material Adverse Effect and except for dispositions thereof permitted by Section 6.02;

SECTION 5.02. Insurance. Maintain, and cause each Significant Subsidiary to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties as the Borrower or such Significant Subsidiary.

SECTION 5.03. Reporting Requirements. Furnish to the Agents and each Lender:

(a) within 60 days after the close of each of the first three quarters of each of the Borrower's fiscal years, a copy of the quarterly report on Form 10-Q containing the consolidated statement of income of the Borrower and its consolidated Subsidiaries for the period from the beginning of such fiscal year to the end of such quarter and the related consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such period, each certified by the chief financial officer of the Borrower and accompanied by a certificate of such officer stating (i) that such statement of income and such balance sheet has been prepared in accordance with GAAP, (ii) whether or not he or she has knowledge of the occurrence of any Event of Default or Default which is continuing hereunder and, if so, stating in reasonable detail the facts with respect thereto and (iii) all relevant facts in reasonable detail to evidence, and the computations as to, whether or not the Borrower is in compliance with the requirements set forth in Sections 5.04, 6.01 and 6.02;

(b) within 120 days after the close of each of the Borrower's fiscal years, a copy of the annual report on Form 10-K of the Borrower and its consolidated Subsidiaries, including the opinion of independent

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certified public accountants of internationally recognized standing, together with financial statements consisting of the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its consolidated Subsidiaries for the year then ended and accompanied by an opinion signed by said accountants stating that (i) such financial statements have been prepared in accordance with GAAP and (ii) in making the investigations necessary for said opinion they obtained no knowledge, except as specifically stated, of any Event of Default or Default which is continuing hereunder;

(c) within 120 days after the close of each of the Borrower's fiscal years, a certificate of the chief financial officer of the Borrower stating (i) whether or not he or she has knowledge of the occurrence of any Event of Default or Default which is continuing hereunder and, if so, stating in reasonable detail the facts with respect thereto, and (ii) all relevant facts in reasonable detail to evidence, and the computations as to, whether or not the Borrower is in compliance with the requirements set forth in Sections 5.04, 6.01 and 6.02;

(d) promptly upon their becoming available, all reports on Form 10-K, 10-Q or 8-K, or any successor form, and all proxy statements that the Borrower shall file with the Securities and Exchange Commission or any national securities exchange;

(e) promptly in writing, notice of all litigation and of all proceedings before any governmental or regulatory agencies affecting the Borrower or any Subsidiary, except any litigation or proceeding which is not likely to have any Material Adverse Effect;

(f) within three Business Days after a Responsible Officer of the Borrower obtains knowledge of the occurrence of any Event of Default or Default which is continuing, notice of such occurrence together with a detailed statement by a Responsible Officer of the Borrower of the steps being taken by the Borrower or the appropriate Subsidiary to cure the effect of such event;

(g) as soon as practicable and in any event (i) within 30 days after the Borrower or any ERISA Affiliate knows or has reason to know that any Termination Event described in clause (i) of the definition of Termination Event with respect to any Plan has occurred and (ii) within 10 days after the Borrower or any ERISA Affiliate knows or has reason to know that any other Termination Event with respect to any Plan has occurred, a statement of the treasurer or the chief financial officer of the Borrower describing such Termination

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Event and the action, if any, which the Borrower or such ERISA Affiliate proposes to take with respect thereto;

(h) promptly and in any event within two Business Days after receipt thereof by the Borrower or any ERISA Affiliate, copies of each notice received by the Borrower or any ERISA Affiliate from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(i) promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan;

(j) promptly and in any event within five Business Days after receipt thereof by the Borrower or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by the Borrower or any ERISA Affiliate concerning (i) the imposition of Withdrawal Liability by a Multiemployer Plan, (ii) the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA, (iii) the termination of a Multiemployer Plan within the meaning of Title IV of ERISA, or (iv) the amount of liability incurred, or expected to be incurred, by the Borrower or any ERISA Affiliate in connection with any event described in clause (i), (ii) or (iii) above;

(k) within 10 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code of a notice of failure to make a required installment or other payment with respect to a Plan, a statement of the treasurer or the chief financial officer setting forth details as to such failure and the action

proposed to be taken with respect thereto, together with a copy of such notice give to the PBGC; and

(l) as soon as practicable but in any event within 60 days of any notice of request therefor, such other information respecting the financial condition and results of operations of the Borrower as the Agents, or a Lender through the Agents, may from time to time reasonably request.

Each balance sheet and other financial statement furnished pursuant to paragraphs (a) and (b) of this Section 5.03 shall contain comparative information which conforms to the presentation required in Form 10-Q and 10-K, as appropriate, under the Securities Exchange Act of 1934, as amended.

SECTION 5.04. Consolidated Tangible Net Worth. Maintain Consolidated

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Tangible Net Worth of not less than $1,700,000,000.

SECTION 5.05. Taxes. Pay and discharge, and cause each Significant Subsidiary to pay and discharge, promptly all material taxes, assessments and governmental charges or levies, levied or assessed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default; provided, however, that such payment and discharge shall not be required with respect to any such tax, assessment, charge or levy so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings.

SECTION 5.06. Margin Regulation Compliance; Margin Stock Ownership. The Borrower shall at all times perform such acts and deliver such documents as the Administrative Agent may request for the purpose of complying with Section 7 of the Securities Exchange Act of 1934, as amended, or any of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System, as amended.

ARTICLE VI. NEGATIVE COVENANTS

The Borrower covenants and agrees with each Lender and the Agents that, so long as this Agreement shall remain in effect of the principal of or interest on any Loan, any Fees or any other expenses or amounts payable under any Loan

Document shall be unpaid, unless the Required Lenders shall otherwise consent in writing, the Borrower will not:

SECTION 6.01. Debt. Create or suffer to exist, or permit its Subsidiaries to create or suffer to exist, any Debt if, immediately after giving effect to such Debt and the receipt and application of any proceeds thereof, the sum of the aggregate amount of Debt of the Borrower and its consolidated Subsidiaries on a consolidated basis would exceed 140% of Consolidated Tangible Net Worth. Notwithstanding anything contained in the foregoing to the contrary, consolidated Debt of the Borrower and its consolidated Subsidiaries, taken as a whole, shall not exceed $3,000,000,000 at any time prior to the completion of the Merger or $5,000,000,000 at any time thereafter.

SECTION 6.02. Sale, etc., of Assets. Sell, lease, dispose of, distribute or otherwise transfer, or permit its Subsidiaries to sell, lease, dispose of, distribute or otherwise transfer, other than, in each case, by a cash dividend paid upon the common and/or preferred stock of the Borrower, whether in a single transaction or a series of transactions (collectively, a

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"Transfer"), all or any part of the property of the Borrower or any such Subsidiary); provided that the Borrower or any such Subsidiary may Transfer:

(a) properties (other than properties Transferred pursuant to any other clause of this Section 6.02) having an aggregate net book value for all such Transfers (determined with respect to each such property based on the net book value reflected on the most recent consolidated balance sheet of the Borrower delivered pursuant to Section 5.03 prior to the Transfer thereof, in each case determined without regard to any writedown in such net book value subsequent to the date hereof) not in excess of 10% of the total book value of the assets of the Borrower and its consolidated Subsidiaries (as reflected on the most recent consolidated balance sheet of the Borrower delivered pursuant to Section 5.03) less the excess of the net book value of all assets transferred since the date of such balance sheet over the amount of cash and fair market value of all other consideration received in exchange therefor;

(b) properties to any person, provided that the Borrower or any of its Subsidiaries has the power,

direct or indirect, (i) to vote more than 50% of the securities or interests having ordinary voting power for the election of directors or comparable governing persons of such person or (ii) to direct or cause the direction of the management and policies of such person (whether by contract or otherwise);

(c) properties abandoned or retired from use in the ordinary course of business;

(d) properties usable by the Borrower or any Significant Subsidiary in the operation of its business as a railroad company including the Transfer of accounts receivable, provided that the Borrower or such Significant Subsidiary Transfers such property in arms-length transactions in exchange for property or cash of substantially equivalent fair market value usable by the Borrower or such Significant Subsidiary in the operation of its business as a railroad company, and provided further that the amount of property constituting the excess, if any, of (i) the fair market value of the property Transferred by the Borrower or such Significant Subsidiary over (ii) the fair market value of the property received by the Borrower or such Significant Subsidiary in exchange therefor (in each case, determined as of the date of such Transfer) may be transferred pursuant to clause (a) above on and subject to the terms and

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conditions of such clause (a);

(e) property constituting Margin Stock.

SECTION 6.03. Mergers, etc. Merger or consolidate with any person, or permit any of its Subsidiaries to merge or consolidate with any person, except that (a) any Subsidiary may merge or consolidate with any other Subsidiary or may merge or liquidate into the Borrower (if the Borrower shall be the continuing or surviving corporation), (b) the Borrower or any Subsidiary may merge or consolidate with any other corporation if (i) (A) the surviving corporation shall be the Borrower or a Subsidiary or (B) the surviving corporation, if not the Borrower or a Subsidiary, shall be a corporation organized and existing under the laws of the United States or any state thereof or the District of Columbia and shall expressly assume by a written assignment executed and delivered to the Administrative Agent, in form and substance satisfactory to the Administrative Agent, all of the rights and obligations

of the Borrower under this Agreement, and (ii) after giving effect to such merger or consolidation no Event of Default or Default shall have occurred and be continuing and (c) the Borrower and any Subsidiary may merge or consolidate as required by a valid order of the ICC. Notwithstanding the foregoing, the Borrower and its Subsidiaries will not enter into any merger or consolidation involving Santa Fe or its subsidiaries other than the Merger or the Alternative Merger.

SECTION 6.04. Liens. Create or (in the case of clause (b) or (d) below) suffer to exist, or permit its Subsidiaries to create or (in the case of clause (b) or (d) below) suffer to exist, any Lien securing (a) Debt of the Borrower or any of its consolidated Subsidiaries, (b) taxes imposed upon the Borrower or any of its consolidated Subsidiaries, (c) reimbursement obligations of the Borrower or any of its consolidated Subsidiaries in respect of letters of credit or (d) liabilities of the Borrower or any of its consolidated Subsidiaries asserted in any legal or other proceeding arising under the Comprehensive Environmental, Response, Compensation and Liability Act of 1980, as amended from time to time, or other similar Federal or state laws, regulations or decrees relating to environmental protection or the release of any hazardous or toxic materials into the environment, in each case, upon or with respect to (i) all or a portion of the cash or accounts receivable of the Borrower or any of its consolidated Subsidiaries arising from income from railroad operations generated in the ordinary course of business (and excluding in any event cash and accounts receivable constituting the proceeds of the sale or other disposition of property), (ii) the capital stock of Burlington Northern Railroad Company or (iii) the capital stock of Santa Fe acquired by the Borrower pursuant to this Agreement until the occurrence of the Merger or Alternative Merger, except, for Liens with respect to the property described in clause (i)

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above (A) in respect of taxes, the nonpayment of which would not constitute a default under Section 5.01(b), (B) arising by operation of law in the ordinary course of business, (C) on cash or other property in any bank's possession arising either in the ordinary course of business and securing daylight overdrafts and other Debt incurred in favor of such bank in the ordinary course of the cash management program of the Borrower and its Subsidiaries, or by operation of law, or contractually in the ordinary course of establishing and/or maintaining deposit and other accounts, letters of credit and other banking services (other than the incurrence

of indebtedness for borrowed money), (D) on cash or other property in any Lender's possession securing (or entitling any Lender to set off against) amounts owing to any Lender pursuant to this Agreement, (E) securing lessees' obligations under leases referred to in clause (ii) of the definition of Debt, and (F) Liens in respect of any liability referred to in clause (d) above which liability does not have a reasonable probability (taking into account the exhaustion of all corrective and other appropriate procedures and proceedings and/or all appeals) of having a Material Adverse Effect; provided, however, that this Section 6.04 shall not restrict the creation or existence of (1) Existing Liens and Liens under Existing Mortgages and (2) Liens securing Debt outstanding from time to time under the Mortgage Indenture; provided further, however, that any permanent reduction in the Total Commitments shall result in a corresponding pro rata amount of the capital stock of Santa Fe no longer being subject to this Section 6.04.

SECTION 6.05. Sales of Accounts Receivable. Sell, or permit any Subsidiary to sell, any accounts receivable other than pursuant to the Borrower's or any Subsidiary's existing or future receivables sale facilities and any extensions, renewals or replacements of any thereof, provided that the aggregate amount of accounts receivable created in the course of the Borrower's and its Subsidiaries' businesses and subject to receivables sales transactions at any time pursuant to this Section 6.05 shall in no event exceed $300,000,000 prior to the Merger or $500,000,000 after the Merger.

SECTION 6.06. Regulation U. Permit at any time more than 25% of the value (determined in accordance with Regulation U) of the assets which are subject to Section 6.04 to constitute Margin Stock.

ARTICLE VII. EVENTS OF DEFAULT

In case of the happening (and during the continuance) of any of the

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following events ("Events of Default"):

(a) The Borrower shall (i) fail to pay any principal of any Loan or (ii) fail to pay any interest on any Loan or any other amount payable hereunder or pursuant hereto, in each case referred to in this

clause (ii) within two Business Days after the same shall be due;

(b) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made or deemed made;

(c) The Borrower shall (i) fail to perform or observe any term, covenant or agreement contained in Sections 5.04, 6.01, 6.02 or 6.03 of this Agreement or (ii) fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure referred to in this clause (ii) shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Administrative Agent or by any Lender with a copy to the Administrative Agent;

(d) The Borrower or any Subsidiary shall (i) fail to pay any Debt (excluding Debt hereunder) of the Borrower or any Subsidiary (as the case may be) in an aggregate principal amount of $50,000,000 or more, or any installment of principal thereof or interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; (ii) default under any agreement or instrument relating to any Debt (excluding Debt hereunder) in an aggregate principal amount of $25,000,000 or more, or any other event shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate the maturity of such Debt; or (iii) default under any agreement or instrument relating to any Debt (excluding Debt hereunder) in an aggregate principal amount of $101,000,000 or more, or any other event shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to permit the acceleration of the maturity of such Debt, provided that, notwithstanding any provision contained in this paragraph (d) to the contrary, to the extent that pursuant to the terms of

any agreement or instrument relating to any Debt referred to in this paragraph (d), any sale, pledge or disposal of Margin Stock, or utilization

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of the proceeds thereof would result in a breach of any covenant contained therein or otherwise give rise to a default or event of default thereunder and/or acceleration of the maturity of the Debt extended pursuant thereto and as a result of such terms or of such sale, pledge, disposal, utilization, breach, default, event of default or acceleration, or the provisions hereof relating thereto, this Agreement or any Loan hereunder would otherwise be subject to the margin requirements or any other restriction under Regulation U, then such breach, default, event of default or acceleration shall not constitute a Default or Event of Default under this paragraph (d);

(e) (i) The Borrower or any Subsidiary shall (A) generally not pay its debts as such debts become due; or (B) admit in writing its inability to pay its debts generally; or (C) make a general assignment for the benefit of creditors; (ii) any proceeding shall be instituted or consented to by the Borrower or any Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; (iii) any such proceeding shall have been instituted against the Borrower or any Subsidiary and either (A) such relief shall have been granted or (B) such proceeding shall have been pending undismissed for a period of 60 consecutive days; or (iv) the Borrower or any Subsidiary shall take any corporate action to authorize any of the actions set forth above in this paragraph (e);

(f) (i) One or more final and non-appealable judgments or orders for the payment of money in excess of $50,000,000 in the aggregate shall be rendered against the Borrower and/or one or more Subsidiaries and enforcement proceedings shall have been commenced by creditors upon such judgments or orders; or (ii) one or more judgments or orders for the payment of money in excess of $100,000,000 shall be rendered against the

Borrower and/or one or more Subsidiaries and either (x) enforcement proceedings shall have been commenced by creditors upon such judgments or orders or (y) there shall be any period of 20 consecutive days during which a stay of enforcement of such judgments or orders, by reason of a pending appeal or otherwise, shall not be in effect;

(g) Any Termination Event with respect to a Material Plan shall have occurred and, 30 days after notice thereof shall have been given to the Borrower by the Administrative Agent, (i) such Termination Event shall still exist and

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(ii) the sum (determined as of the date of occurrence of such Termination Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which a Termination Event shall have occurred and then exist (or in the case of a Plan with respect to which a Termination Event described in clause (ii) of the definition of Termination Event shall have occurred and then exist, the liability related thereto), in each case in respect of which the Borrower or any ERISA Affiliate has liability, is equal to or greater than $50,000,000;

(h) The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liabilities (determined as of the date of such notification), exceeds $50,000,000;

(i) The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years which include the date hereof by an amount exceeding $50,000,000;

(j) There shall have occurred a Change in Control; or

(k) If the Alternative Merger shall occur, and if any bank credit facilities of the surviving corporation therein or any of its subsidiaries shall be guaranteed or secured, or credit support therefor shall be otherwise provided by the Borrower or any of its Subsidiaries, any default, event of default or prepayment event, however denominated, shall occur in respect of the Santa Fe Debt;

then, and in any such event, the Administrative Agent shall, at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, (i) declare the Commitment of each Lender to make Loans to be terminated, whereupon the same shall forthwith terminate, and (ii) declare the Loans, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Loans, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; *provided, however*, that if an Event of Default under paragraph (e) of this Article VII (except under clause (i)(A) thereof) shall occur, (A) the Commitment of each Lender to make Loans shall automatically be terminated and

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(B) the Loans, all interest thereon and all other amounts payable under this Agreement shall automatically become and be forthwith due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VIII. THE AGENTS

In order to expedite the transactions contemplated by this Agreement, Texas Commerce Bank National Association and Chemical Bank are hereby appointed to act as Administrative Agent and CAF Agent, respectively, on behalf of the Lenders. Each of the Lenders hereby irrevocably authorizes the Agents to take such actions on behalf of such Lender and to exercise such powers as are specifically delegated to the Agents by the terms and provisions hereof and of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority,

(a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither the Agents nor any of their directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its, his or her own gross negligence or wilful misconduct, or be responsible for any warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in any Loan Document other than those expressly provided for herein. The Agents shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness (other than against the Agents) of this Agreement or any other Loan Documents or other instruments or agreements. The Agents shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. Each Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Agents nor any of their directors, officers, employees or agents

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shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or Borrower of any of their respective obligations hereunder or under any other Loan Document or in connection herewith or therewith. The Agents may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of

legal counsel reasonably selected by them with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Agents shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Agent as provided below, any Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a bank with an office in the United States, having a combined capital and surplus of at least $50,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations hereunder. After any Agent's resignation hereunder, the provisions of this Article and Section 9.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

With respect to the Loans made by them hereunder, the Agents in their individual capacity and not as Agents shall have the same rights and powers as any other Lender and may exercise the same as though they were not the Agents, and the Agents and their Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if they were not the Agents.

Each Lender agrees (i) to reimburse the Agents, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any reasonable expenses incurred for the benefit of the Lenders by the Agents, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, which shall

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not have been reimbursed by the Borrower and (ii) to indemnify and hold harmless the Agents and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind of nature whatsoever which may be imposed on, incurred by or asserted against them in their capacity as the Agents or any of them in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by it or any of them under this Agreement or any other Loan Document, to the extent the same shall not have been reimbursed by the Borrower; provided that no Lender shall be liable to the Agents for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Agents or any of their directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX. MISCELLANEOUS

SECTION 9.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed or sent by telecopy by the sending party, as follows:

(a) if to the Borrower, to it at 3200 Continental Plaza, 777 Main Street, Fort Worth, Texas 76102, Attention of Treasurer (Telecopy No. 817-333-7484);

(b) if to the Administrative Agent, to it at 712 Main Street, Houston, Texas 77002, Attention of Syndications Department (Telecopy No., 713-546-2339);

with a copy to Texas Commerce Bank National Association, 201 Main Street, 3rd Floor, Fort Worth, Texas 76102, Attention of Corporate Banking (Telecopy No. 817-878-7591);

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(c) if to the CAF Agent, to it at 270 Park Avenue, New York, NY 10017; and

(d) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy, or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 9.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 9.01.

SECTION 9.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid and so long as the Commitments have not been terminated.

SECTION 9.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Agents and when the Administrative Agent shall have received copies hereof which, when taken together, bear the signatures of each Lender, and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agents and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any

interest herein without the prior consent of all the Lenders.

SECTION 9.04. Successors and Assigns.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and permitted assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, the Agents or the Lenders that are contained in this Agreement shall

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bind and inure to the benefit of their respective successors and permitted assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owning to it); provided,
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however, that (i) except in the case of an assignment to a Lender or an
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Affiliate of such Lender, the Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld, taking into account such factors as the financial responsibility and reputation of a proposed assignee), (ii) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement, (iii) the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000 (and integral multiples of $1,000,000) or, if less, the entire amount of the assigning Lender's Commitment, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, and the assigning Lender shall deliver together therewith a processing and recordation fee of $2,500 and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent and the CAF Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 9.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations

under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (but shall continue to be entitled to the benefits of Sections 2.14, 2.16, 2.20 and 9.05, as well as to any Fees accrued for its account hereunder and not yet paid)) and (C) Schedule 2.01 shall be deemed amended to give affect to such assignment. Notwithstanding the foregoing, any Lender assigning its rights and obligations under this Agreement may retain any Competitive Loans made by it outstanding at such time, and in such case shall retain its rights hereunder in respect of any Loans so retained until such Loans have been repaid in full in accordance with this Agreement.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows:

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(i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, and the outstanding balances of its Standby Loans and Competitive Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance; (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or any other any instrument or document furnished pursuant hereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.03 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at one of its offices in The City of Houston a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of demonstrable error and the Borrower, the Agents and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance

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executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Borrower and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance , (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Lenders.

(f) Each Lender may without the consent of the Borrower or the Agents sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it);

provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.14, 2.16, and 2.20 to the same extent as if they were Lenders and (iv) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or changing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure of information designated by the Borrower as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information. It is understood that confidential information relating to the Borrower would not ordinarily be provided in connection with assignments or participations of Competitive Loans.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank; provided that no such

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assignment shall release a Lender from any of its obligations hereunder. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, to the extent permissible without registration under applicable regulations of the ICC, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing

the Loans made to the Borrower by the assigning Lender hereunder.

(i) The Borrower shall not assign or delegate any of its rights or duties hereunder without the prior written consent of the Lenders.

SECTION 9.05. Expenses; Indemnity. (a) The Borrower agrees to pay all out-of-pocket expenses incurred by the Agents in connection with the preparation of this Agreement and the other Loan Documents or in connection with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby contemplated shall be consummated) or incurred by the Agents or any Lender in connection with the enforcement or protection of their rights in connection with this Agreement and the other Loan Documents or in connection with the Loans made hereunder, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agents, and, in connection with any such amendment, modification or waiver or any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel for the Agents or any Lender. The Borrower further agrees that it shall indemnify the Lenders from and hold them harmless against any documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement or any of the other Loan Documents.

(b) The Borrower agrees to indemnify the Agents, each Lender and each of their respective directors, officers, employees and agents (each such person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the transactions contemplated thereby, (ii) the use of the proceeds of the Loans or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing to which such Indemnitee reasonably believes that it may become a party, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any

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Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) The provisions of this Section 9.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Agents or any Lender. All amounts due under this Section 9.05 shall be payable on written demand therefor.

SECTION 9.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement and other Loan Documents held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such other Loan Document and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.07. Applicable Law. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.08. Waivers; Amendment. (a) No failure or delay of the Agents or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further

exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents and the Lenders hereunder and under the other Loan

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Documents are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on, any Loan, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease the Fees of any Lender without the prior written consent of such Lender, or (iii) amend or modify the provisions of Section 2.17, the provisions of this Section, any provision of this agreement which by its terms requires the consent or approval of all Lenders or the definition of "Required Lenders", without the prior written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Agents hereunder without the prior written consent of the Agents.

SECTION 9.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the applicable interest rate, together with all fees and charges which are treated as interest under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or, otherwise contracted for, charged, received, taken or reserved by any Lender, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Lender in accordance with applicable law, the rate of interest payable on the

Loans of such Lender, together with all Charges payable to such Lender, shall be limited to the Maximum Rate.

SECTION 9.10. Entire Agreement. This Agreement and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Loan

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Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

SECTION 9.11. Severability. In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 9.03.

SECTION 9.13. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 9.14. Jurisdiction; Consent to Service of Process. (a) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto

hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may

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now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this agreement or the other Loan Documents in any New York State or Federal court sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

IN WITNESS WHEREOF, the Borrower, the Lenders, the Administrative Agent and the CAF Agent have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BURLINGTON NORTHERN INC.,

by
/s/ Robert F. McKenney

Name: Robert F. McKenney
Title: Senior Vice President
and Treasurer

TEXAS COMMERCE BANK NATIONAL
ASSOCIATION, individually and as
Administrative Agent,

by /s/ B. B. Wuthrich

Name: B. B. Wuthrich
Title: Vice President

CHEMICAL BANK, as CAF Agent,

by /s/ Janet M. Belden

Name: Janet M. Belden
Title: Vice President

LENDERS:

ABN AMRO BANK N.V.,

by /s/ Lila Jordan

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----
Name: Lila Jordan
Title: Vice President

by /s/ Ronald A. Mahle

Name: Ronald A. Mahle
Title: Group Vice President

BANK OF AMERICA ILLINOIS

by /s/ Glenn F. Edwards

Name: Glenn F. Edwards
Title: Vice President

BANK OF MONTREAL,

by /s/ Jonathan D. Hook

Name: Jonathan D. Hook
Title: Director

THE BANK OF NEW YORK,

by /s/ Julie E. Brennan

Name: Julie E. Brennan
Title: Vice President

THE BANK OF NOVA SCOTIA,

by /s/ F. C. H. Ashby

Name: F. C. H. Ashby
Title: Senior Manager Loan Operations

THE BANK OF TOKYO, LTD., Dallas Agency,

by /s/ J. Beckwith

Name: J. Beckwith
Title: Vice President

THE BOATMEN'S NATIONAL BANK OF ST. LOUIS,

by /s/ David E. Wilsdorf

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----
Name: David E. Wilsdorf
Title: Vice President

CAISSE NATIONALE DE CREDIT
AGRICOLE,

by /s/ Dean Balice

Name: Dean Balice
Title: Senior Vice President

THE CHASE MANHATTAN BANK, N.A.,

by /s/ David L. Burnett

Name: David L. Burnett
Title: Managing Director

CIBC, INC.,

by /s/ Gary C. Gaskill

Name: Gary C. Gaskill
Title: Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK B.A., "RABOBANK
NEDERLAND", New York Branch,

by /s/ Anita Vogel

Name: Anita Vogel
Title: Vice President

by /s/ W. Jeffrey Vollack

Name: W. Jeffrey Vollack
Title: Vice President

CREDIT LYONNAIS Cayman Island Branch,

by /s/ Robert Ivosevich

Name: Robert Ivosevich
Title: Authorized Signatory

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CREDIT LYONNAIS New York Branch,

by /s/ Robert Ivosevich

Name: Robert Ivosevich
Title: Senior Vice President

THE DAI-ICHI KANGYO BANK, LIMITED, Los Angeles Agency,

by /s/ Tomohiro Nozaki

Name: Tomohiro Nozaki
Title: Senior Vice President and Joint General Manager

FIRST BANK NATIONAL ASSOCIATION,

by /s/ Megan G. Mourning

Name: Megan G. Mourning
Title: Vice President

FIRST INTERSTATE BANK OF TEXAS N.A.,

by /s/ Todd D. Robichaux

Name: Todd D. Robichaux
Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON,

by /s/ Paul G. Feloney, Jr.

Name: Paul G. Feloney, Jr.
Title: Assistant Vice President

THE FIRST NATIONAL BANK OF CHICAGO,

by /s/ Karen J. Andrews

Name: Karen J. Andrews

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Title: Vice President

THE FUJI BANK, LIMITED, Houston Agency,

by /s/ David L. Kelley

Name: David L. Kelley
Title: Vice President and Senior Manager

MELLON BANK, N.A.,

by /s/ Paul A. Briggs

Name: Paul A. Briggs
Title: Senior Vice President

THE MITSUBISHI BANK, LIMITED, New York Branch,

by /s/ J. Bruce Meredith

Name: J. Bruce Meredith
Title: Senior Vice President and Manager

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

by /s/ Stephen B. King

Name: Stephen B. King
Title: Vice President

NBD BANK,

by /s/ D. Andrew Bateman

Name: D. Andrew Bateman
Title: First Vice President

NATIONAL WESTMINSTER BANK PLC,

by /s/ Ernest V. Hodge

Name: Ernest V. Hodge
Title: Vice President

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NATIONAL WESTMINSTER BANK PLC
NASSAU BRANCH,

by /s/ Ernest V. Hodge

   Name: Ernest V. Hodge
   Title: Vice President

THE NORTHERN TRUST COMPANY,

by /s/ Robert J. Steqmann

   Name: Robert J. Steqmann
   Title: Vice President

PNC BANK, NATIONAL ASSOCIATION,

by /s/ Jeffrey S. Nurkiewicz

   Name: Jeffrey S. Nurkiewicz
   Title: Commercial Banking Officer

THE SANWA BANK, LIMITED,

by /s/ Blake Wright

   Name: Blake Wright
   Title: Assistant Vice President

SOCIETE GENERALE, Southwest Agency,

by /s/ Louis P. Laville, III

   Name: Louis P. Laville, III
   Title: Vice President

THE SUMITOMO BANK, LIMITED,

by /s/ Toshihide Orita

   Name: Toshihide Orita
   Title: Joint General Manager

THE TOKAI BANK, LIMITED,

by /s/ Masahiko Saito

   Name: Masahiko Saito
   Title: Assistant General Manager

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SWISS BANK CORPORATION,

by /s/ William A. McDonnell

Name: William A. McDonnell
Title: Associate Director

by /s/ Nancy A. Russell

Name: Nancy A. Russell
Title: Associate Director

TORONTO DOMINION (TEXAS), INC.

by /s/ Lisa Allison

Name: Lisa Allison
Title: Vice President

UNION BANK OF SWITZERLAND, Houston Agency,

by /s/ Jan Buettgen

Name: Jan Buettgen
Title: Vice President

by /s/ Alfred W. Imholz

Name: Alfred W. Imholz
Title: Managing Director

WACHOVIA BANK OF GEORGIA, N.A.,

by /s/ Linda M. Harris

Name: Linda M. Harris
Title: Senior Vice President

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BURLINGTON NORTHERN RAILROAD
3000 Continental Plaza
777 Main Street
Fort Worth, Texas 76102
Telephone (817) 878-3055

JAMES B. DAGNON
Executive Vice President
Employee Relations

January 5, 1995

PERSONAL AND CONFIDENTIAL

Honorable Al Swift
201 Federal Building
3002 Colby Avenue
Everett, Washington 98201

Dear Al:

This letter will confirm the agreement for your employment as Vice President Government Affairs of Burlington Northern Railroad (the "Company").

1. Employment and Term. The Company agrees to your employment, and you agree to act as its Vice President Government Affairs during the period commencing January 5, 1995 (the "Employment Date") and ending January 5, 2000 (the fifth anniversary of the Employment Date), unless sooner terminated by death, disability or agreement of the parties. In the event that your employment hereunder is terminated because of your death or disability, or by your voluntary resignation, or is terminated by the Company for your breach of this Agreement, the salary provided for in this Agreement will be paid to and including the end of the month in which such termination of employment occurs. If the Agreement is terminated by the Company for any other reason, the Company will pay you on the date of termination a sum of money equal to your then current monthly salary times the number of months remaining until January 5, 2000, (the fifth anniversary of the Employment Date).

2. Basic Compensation. Commencing with your Date of Employment, your base salary shall be $225,000 per annum or such rate as may be fixed from time to time by the Board of Directors of the Company in connection with its annual review of executive compensation.

3. Incentive Bonus. You will be a regular participant in the Incentive

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Compensation Plan commencing on your Date of Employment, in accordance with the plan.

4. Restricted Stock. You will be granted an initial award under the Burlington Northern Inc. Restricted Stock Incentive Plan of 2,800 shares to be effective upon approval by the Compensation & Nominating Committee of the Board of Directors on your Date of Employment.

5. Stock Options. You will be granted an initial award under the Burlington Northern Inc. Stock Option Incentive Plan of 11,700 Basic Options effective upon approval by the Compensation & Nominating Committee of the Board of Directors on your Date of Employment.

6. Stock Options, Restricted Stock, Disability and Other Benefits. You will participate with other executives of the Company in plans from time to time in effect for Stock Options, Restricted Stock, short-term and long-term disability benefits, change in control protection and perquisites, including those available under the employee benefit plans of the Company. See attachment for grade "E".

7. Relocation Benefits. The Company will be responsible for any normal and reasonable costs associated with your relocation to the Washington, D.C. area, in accordance with our standard policy for exempt employees.

8. Nonduplication of Benefits. Should you become eligible for benefits under your Change in Control Letter Agreement and paragraph #1 of this Agreement, you will be eligible to receive the greater of the two benefits, but in no case will the benefits be duplicated.

This agreement is contingent upon your passing a physical examination, which includes a drug screen.

In consideration of this compensation package, you agree to devote your full time and effort to the Company, to perform in a capacity of a Vice President Government Affairs and to perform to a standard suitable for such position and compensation and to abide by all standards to which Company employees are subject including those set forth in the Company Code of Ethics, a copy of which is attached.

If this correctly sets forth our agreement, please sign the original and return it to me, and keep the copy for your file.

Al, we are looking forward to your joining the Burlington Northern team!

Sincerely,

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BURLINGTON NORTHERN RAILROAD

By: /s/James B. Dagnon
Executive Vice President Employee Relations

Accepted this 5th day of January, 1995

/s/Al Swift

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EXHIBIT 11

BURLINGTON NORTHERN INC. and SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE
(Dollars In Millions, Except Per Share Amounts)
(Unaudited)

	Three Months Ended March 31, 1995	1994
Net income		
Primary:		
Net income...	$ 108	$ 77
Convertible preferred stock dividends...............	(5)	(5)
Net income available for common stockholders......	$ 103	$ 72
Fully diluted:		
Net income...	$ 108	$ 77
Weighted average number of shares		
Primary:		
Average common shares outstanding...................	89.3	88.9
Common share equivalents resulting from assumed exercise of stock options.........................	1.0	1.4
	90.3	90.3
Fully diluted:		
Average common shares outstanding...................	89.3	88.9
Common shares resulting from assumed conversion of convertible preferred stock........................	7.4	7.4
Common share equivalents resulting from assumed exercise of stock options assuming full dilution..	1.2	1.3
	97.9	97.6
Earnings per common share:		
Primary...	$1.14	$ .79
Fully diluted...	$1.10	$ .79

Primary earnings per common share are computed by dividing net income, after deduction of preferred stock dividends, by the weighted average number of common shares and common share equivalents outstanding. Fully diluted earnings per common share are computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding. Common share equivalents are computed using the treasury stock method. An

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average market price is used to determine the number of common share equivalents for primary earnings per common share. The higher of the average or end-of-period market price is used to determine common share equivalents for fully diluted earnings per common share. In addition, the if-converted method is used for convertible preferred stock when computing fully diluted earnings per common share.

Earnings per common share may not compute due to the level of rounding in this exhibit.

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EXHIBIT 12

BURLINGTON NORTHERN INC. and SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In Millions, Except Ratio Amounts)
(Unaudited)

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
Earnings:		
Pre-tax income	$177	$142
Add:		
Interest and fixed charges, excluding capitalized interest	43	39
Portion of rent under long-term operating leases representative of an interest factor	28	25
Total earnings available for fixed charges	$248	$206
Fixed charges:		
Interest and fixed charges	$ 44	$ 39
Portion of rent under long-term operating leases representative of an interest factor	28	25
Total fixed charges	$ 72	$ 64
Ratio of earnings to fixed charges	3.44x	3.22x

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Northern Inc.'s consolidated financial statements as of and for the three month
period ended March 31, 1995 and is qualified in its entirety by reference to
such financial statements.
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