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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of February 1, 1975

BETWEEN

TRUST COMPANY FOR USL, INC.

*As Trustee Under
U.C. Trust No. 11*

Lessor

AND

UNION CARBIDE CORPORATION

Lessee

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LEASE OF RAILROAD EQUIPMENT

Re: Union Carbide Corporation
(U.C. Trust No. 11)

THIS LEASE OF RAILROAD EQUIPMENT, dated as of February 1, 1975, between TRUST COMPANY FOR USL, INC., not in its individual capacity but solely as Trustee under the Trust Agreement referred to in Section 1.01 hereof (the "Lessor"), and UNION CARBIDE CORPORATION, a New York corporation (the "Lessee");

WITNESSETH:

SECTION 1. MANUFACTURE AND DELIVERY OF EQUIPMENT.

1.01. INTENT TO LEASE AND HIRE. The Lessor, United States Leasing International, Inc., a California corporation, as agent for the Lessor (the "Agent"), and Ford Motor Credit Company, a Delaware corporation, as trustor and beneficiary (the "Trustor"), have entered into a Trust Agreement dated as of February 1, 1975 (the "Trust Agreement"). Pursuant to the authorities and directions contained in the Trust Agreement, the Lessor has entered into an Acquisition Agreement dated as of February 1, 1975 (the "Acquisition Agreement") with the Lessee providing for the acquisition by the Lessor of the railroad cars (collectively the "Equipment" and individually "Item of Equipment") described in Schedule 1 attached hereto and made a part hereof and, upon delivery of each Item of Equipment by the Manufacturer thereof (a "Manufacturer") and acceptance by the Lessee on behalf of the Lessor in accordance with the Acquisition Agreement, the lease by the Lessor of such Item of Equipment to the Lessee and the hiring by the Lessee of such Item of Equipment from the Lessor for the rent and on and subject to the terms and conditions herein set forth.

1.02. INSPECTION AND ACCEPTANCE. Upon or prior to delivery of each Item of Equipment by the Manufacturer thereof to the Lessee, the Lessee will inspect such Item of Equipment in accordance with the customary standards and procedures of the Lessee, and, if such Item of Equipment as tendered for delivery meets the specifications therefor referred to in the purchase order for such Item (as far as can be determined by such inspection), the Lessee will accept delivery thereof.

1.03. LEASE SUPPLEMENTS. (a) On or prior to the date of acceptance of delivery of each Item of Equipment under the Acquisition Agreement, the Lessee and the Lessor will enter into a Lease Supplement substantially in the form of Exhibit A attached hereto and made a part hereof which shall set forth the Total Cost of such Item of Equipment (as defined in Section 2.02 hereof), the Interim Rent and Periodic Rent for the Primary Term and the Rent Payment Dates in respect of such Item of Equipment.

(b) The Lessee's execution and delivery to the Lessor of a Lease Supplement with respect to each Item of Equipment shall conclusively establish as between the Lessor and the Lessee, but without prejudice to any rights either party may have against the Manufacturer thereof or against any other person not a party to the Trust Agreement or any Operative Document, as that term is defined in the Trust Agreement, that such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is (as far as can be determined by the inspection referred to in Section 1.02 hereof) in good order

and condition and conforms to the specifications applicable thereto and to all applicable United States Department of Transportation requirements and specifications, if any.

SECTION 2. RENTS AND PAYMENT DATES.

2.01. RENT FOR EQUIPMENT. The Lessee agrees to pay the Lessor the following rent hereunder:

(a) Interim Rent. For each Item of Equipment the amount (the "Interim Rent") specified therefor in the Lease Supplement related to such Item of Equipment, determined by multiplying (i) the Total Cost of such Item of Equipment by (ii) the Per Diem Factor (as hereinafter defined) in effect five business days prior to the Closing Date (as defined in Section 4 of the Acquisition Agreement) in respect of such Item of Equipment, and multiplying the product so obtained by the number of days from and including such Closing Date to, but not including, the date of commencement of the Primary Term of this Lease with respect to such Item of Equipment as set forth in Section 3 hereof;

(b) Rent for Primary Term. For each Item of Equipment an amount per month equal to 0.682% of the Total Cost of such Item of Equipment payable semiannually in arrears and on the termination of the Primary Term with respect to such Item of Equipment, *provided that*, in the event the Primary Term with respect to such Item of Equipment shall not commence on the thirtieth day of a month, the first installment of Periodic Rent shall be reduced by an amount equal to the product obtained by multiplying (i) the number of days from and including the thirtieth day of a month next preceding the date of commencement of such Primary Term to but not including the date of commencement of such Primary Term by (ii) an amount equal to .0185% of the Total Cost of such Item of Equipment;

(c) Rent for Renewal Terms. For each Item of Equipment ten semiannual installments, each payable in arrears in the amount determined in accordance with Section 24 hereof, during any Renewal Term (as defined in Section 3 hereof), if any, with respect to such Item of Equipment; and

(d) Certain Additional Rent.

(i) An amount equal to $\frac{1}{2}$ of 1% per annum (computed on the basis of a 360-day year and actual days elapsed) on the average daily unused portion of the Commitment as defined in the Bank Agreement referred to in Section 1(d) of the Trust Agreement computed for the period from and including July 15, 1975 to and including January 1, 1978 or such earlier date on which such Commitment shall terminate, payable on each Rent Payment Date commencing January 30, 1976 and on the date such Commitment shall terminate;

(ii) An amount equal to $\frac{1}{2}$ of 1% per annum (computed on the basis of a 360-day year of twelve 30-day months) on (x) the aggregate amount of loan commitments available under the Loan Agreements on February 4, 1976 for the period from July 30, 1975 to February 3, 1976 and (y) the aggregate amount of loan commitments available under the Loan Agreements from time to time from and after February 3, 1976 for the period from February 3, 1976 to the date on which such loan commitments shall expire pursuant to Section 2.03(e) of the Loan Agreements, payable on February 3, 1976 and on each Purchase Date (as hereinafter defined) thereafter with a final payment on the date of expiration of such loan commitments; and

(iii) If on the expiration date of the commitments under the Loan Agreements the aggregate principal amount of the loans made to the Lessor under such Loan Agreements is less than 88.37% of the aggregate amount of such commitments, an amount equal to $\frac{1}{2}$ of 1% of the amount by which 88.37% of the aggregate amount of such commitments exceeds such aggregate principal amount of loans made to the Lessor thereunder, payable on the date of expiration of such commitments; provided, however, that no amount shall be payable pursuant to this clause (iii) in the event the commitments of the Lenders are terminated pursuant to Section 2.03(c)(iv) of the Loan Agreements.

2.02 CERTAIN DEFINITIONS

(a) The "Total Cost" of each Item of Equipment shall mean the sum of (i) the aggregate amount of the Manufacturer's invoices with respect to such Item of Equipment paid or payable by the Lessor directly to the Manufacturer, (ii) the aggregate amount of the Manufacturer's invoices with respect to such Item of Equipment paid or payable by the Lessee to the Manufacturer and reimbursed or reimbursable to the Lessee by the Lessor, (iii) the aggregate amount of all sales and use taxes therefor, if any, (iv) the cost of transportation thereof, if any, to the point of acceptance, (v) the cost of storage thereof, if any, for a period not exceeding seven months and ending not later than the date of delivery to and acceptance by the Lessee, and (vi) any and all other costs and expenses directly relating to the manufacture of such Item of Equipment and includible, in accordance with generally accepted accounting principles, in the cost of such Item of Equipment, as certified by the Lessee pursuant to Section 4 of the Acquisition Agreement.

(b) The "Per Diem Factor" shall mean an amount determined (i) in the case of an Item of Equipment delivery of which is accepted by the Lessee prior to July 15, 1976, by dividing the commercial loan rate of Manufacturers Hanover Trust Company (the "Bank") generally in effect at its office in New York, New York on borrowings for a 90-day maturity by its most responsible and substantial domestic corporate borrowers (the "MHTC Rate") by 360, and (ii) in the case of an Item of Equipment delivery of which is accepted by the Lessee on or after July 15, 1976, by dividing the sum of the MHTC Rate plus $\frac{1}{4}$ of 1% per annum by 360.

(c) "Loan Agreements" shall mean the separate Loan Agreements dated as of February 1, 1975 between the Lessor and the Lenders (the "Lenders") named in Schedule A thereto. The term "aggregate amount of loan commitments available" shall mean the algebraic sum of the amounts set forth opposite the name of the Lenders in Schedule A to the Loan Agreements, plus the amount of any increase in the commitment of the Lenders under the Loan Agreements, pursuant to Section 2.01(b) thereof, minus the aggregate amount of the loans made by the Lenders on the first Closing Date under the Loan Agreements, minus the aggregate principal amount of Notes purchased by the Lenders on each Purchase Date or Deferred Purchase Date referred to in the separate Purchase Agreements between the Bank and each of Lenders in the form attached as Exhibit 2 to the Loan Agreements.

(d) "Periodic Rent" shall mean the rent paid by the Lessee with respect to each Item of Equipment during the Primary Term and Renewal Terms, if any, with respect to such Item of Equipment pursuant to paragraphs (b) and (c) of Section 2.01 hereof. "Basic Rent" shall mean Interim Rent, Periodic Rent, and any payment of Casualty Value and Termination Value pursuant to Section 11 hereof.

2.03. RENT PAYMENT DATES. The total amount of Interim Rent, if any, for each Item of Equipment delivered to and accepted by the Lessee hereunder shall be due and payable on the date of commencement of the Primary Term with respect to such Item. Installments of Periodic Rent for the Primary Term with respect to each Item of Equipment shall be due and payable on the thirtieth day of each January and July during such Primary Term and on the date of termination of such Primary Term, commencing with the first such date to occur after the date of commencement of such Primary Term. Installments of Periodic Rent for each Renewal Term, if any, with respect to each Item of Equipment shall be due and payable semiannually in arrears during such Renewal Term. Such payment dates for Periodic Rent are herein referred to as the "Rent Payment Dates".

2.04. PLACE OF RENT PAYMENT. All payments of Basic Rent provided for in this Lease to be made to the Lessor shall be made in immediately available funds to the Lessor at 9:30 A.M. Chicago time at Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Illinois, 60690 for credit to Escrow Account No. 433-765-5, or at such other bank in the continental United States as the Lessor, or the Secured Party referred to in Section 16 hereof, shall specify in writing.

2.05. NET LEASE. This Lease is a net lease and, as between the Lessee and any party to the Trust Agreement or to any Operative Document as therein defined and any successor or assign of any such party, the Lessee's obligation to pay all Basic Rent and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including, without limitation (i) any setoff, counterclaim, recoupment, defense or other right which the Lessee may have against the Lessor, the Agent, the Secured Party, the Trustor, any Manufacturer or anyone else for any reason whatsoever, including any claim of the Lessee against any of the foregoing, (ii) any defect in the title, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, any Item of Equipment, or any interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever, (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Lessee, or (iv) any failure by the Lessor or the Trustor to comply with Section 12.2 of the Trust Agreement. The Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease, except termination in accordance with the express provisions hereof. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as specifically provided herein, the Lessee nonetheless agrees to pay to the Lessor an amount equal to each Basic Rent payment at the time such payment would have become due in accordance with the terms hereof had this Lease not been terminated in whole or in part. Each payment of Basic Rent and other amounts made by the Lessee, as between the Lessee and any party to the Trust Agreement or to any Operative Document as therein defined and any successor or assign of any such party, shall be final and the Lessee will not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

SECTION 3. TERM OF THE LEASE.

The interim term of this Lease (the "Interim Term") as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and shall terminate upon the commencement of the Primary Term as to such Item. The primary term of this Lease (the "Primary Term") as to each Item of Equipment shall begin on July 30, 1975, with respect to each Item of Equipment delivered to and accepted by the Lessee on

or before July 30, 1975, and, with respect to each Item of Equipment delivered to and accepted by the Lessee after July 30, 1975, on the first of the following dates to occur thirty days or more after the date of delivery to and acceptance by the Lessee of such Item of Equipment: February 3, 1976, August 3, 1976, February 1, 1977, August 2, 1977 or January 31, 1978. Subject to the provisions of Section 11 and Section 14 hereof, each such Primary Term shall terminate twenty-five years and eight months after the commencement thereof, or (if such Primary Term shall not have commenced on the thirtieth day of a month) on the thirtieth day of a month next preceding the date which is twenty-five years and eight months after the date of commencement of such Primary Term. Each renewal term of this Lease (a "Renewal Term") pursuant to Section 24 hereof as to each Item of Equipment shall begin on the expiration of the Primary Term or, as the case may be, the next preceding Renewal Term as to such Item of Equipment and, subject to the provisions of Section 11 and Section 14 hereof, shall terminate five years after the commencement of such Renewal Term.

SECTION 4. OWNERSHIP AND MARKING OF THE EQUIPMENT.

4.01. RETENTION OF TITLE. The Lessor shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and the possession and use thereof by the Lessee.

4.02. DUTY TO NUMBER AND MARK EQUIPMENT. The Lessee will cause each Item of Equipment to be kept numbered with the car number as set forth in Schedule 1 and to be kept plainly, distinctly and conspicuously marked by a stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one-half inch in height as follows:

"Leased through United States Leasing International, Inc., as Agent for Trust Company for USL, Inc., Owner-Trustee, and subject to a security interest recorded with the Interstate Commerce Commission".

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of the Secured Party under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace any such numbers, word or words which may be removed, defaced or destroyed promptly after a Responsible Employee (as hereinafter defined) shall have actual knowledge of such removal, defacing or destruction. The Lessee will not change the car number of any Item of Equipment except in accordance with a statement of new car numbers to be substituted therefor, which statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

"Responsible Employee" means an officer or employee of the Lessee, or of a subsidiary or division of the Lessee, who would in the performance of his customary duties and responsibilities have knowledge of the matters referred to in this Section 4.02 and the requirements of this Lease with respect thereto.

4.03. PROHIBITION AGAINST CERTAIN DESIGNATIONS. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other

insignia of the Lessee and/or its divisions and affiliates and its or their products or descriptions thereof for the purpose of identifying the right of Lessee to use the Equipment under this Lease or for advertising purposes, and provided further, that Lessee may make or permit to be made such other designations on the Equipment as may be from time to time required for uses permitted by Section 17 hereof.

4.04. INDEMNIFICATION FOR MARKING. The Lessee shall indemnify the Lessor, the Trustor, the Secured Party and their respective agents, successors and assigns against any liability, loss or expense, including court costs and reasonable attorneys' fees, incurred by them as a result of any marking of the Equipment permitted by the provisos to Section 4.03 hereof, except reasonable expenses incurred in repainting the Equipment at the termination of this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

As between the Lessor and the Lessee, the Lessor leases the Equipment As-Is without warranty or representation either express or implied, as to (a) the fitness for any particular purpose or merchantability of the Equipment, (b) the Lessor's title thereto, (c) the Lessee's right to the quiet enjoyment thereof (except as to acts or omissions of the Lessor, the Agent or the Trustor), or (d) any other matter whatsoever, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor hereby appoints and constitutes the Lessee as its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any party whomsoever, including, but not limited to, manufacturers or contractors in respect of the Equipment. The costs and expenses incurred by the Lessee, including attorneys' fees, in connection with any recovery, shall first be deducted from such recovery, and the balance, if any, shall be distributed between the Lessor and the Lessee, as their interests may appear.

SECTION 6. LESSEE'S INDEMNITIES.

6.01. GENERAL INDEMNITY. The Lessee shall defend, indemnify and save harmless the Lessor, the Agent, the Trustor, the Bank, the Lenders, the holders of the Notes issued under the Loan Agreements and the Secured Party referred to in Section 16 hereof and their agents, successors and assigns from and against:

(a) any and all fees, disbursements and expenses of any Trustee under the Trust Agreement which is a successor to Trust Company for USL, Inc. or its successors as Trustee thereunder incurred in connection with the acceptance and administration of the trusts provided for in the Trust Agreement;

(b) any and all fees of the Secured Party under the Security Agreement referred to in Section 16 hereof charged for its services rendered, and all expenses, disbursements and advances incurred or made by it, in and about the administration of the trusts therein provided for and in and about the enforcement or other protection of the Security Agreement or the security interest and Mortgages provided for therein (including reasonable compensation and expenses and disbursements of its counsel and of all persons not regularly in its employ) and all losses, liabilities and expenses incurred on its part in the exercise or performance of any rights, remedies or duties under the Security Agreement or the Mortgages; and

(c) any claim, cause of action, damages, liability, cost or expense (including reasonable counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them with respect to the transactions contemplated by this Lease (i) relating to the Equipment or any part thereof, including without limitation the construction, manufacture, purchase, delivery, acceptance, rejection, installation, ownership, sale, leasing, return or disposition of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission (whether negligent or otherwise) of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent, trademark or copyright infringements, (iv) incidental to, but not including, any remittance by the Lessor of Mileage as defined in Section 17.02 hereof (except that the indemnities herein provided for shall include any remittance at any time determined to be unlawful), or (v) as a result of claims for strict liability in tort.

6.02. CONTINUATION OF INDEMNITIES. The indemnities in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities shall not apply in respect of any matters referred to in clause (i) or (ii) of subsection (c) of Section 6.01 hereof solely attributable to acts, events or omissions occurring after any such termination, except (i) as otherwise provided in Section 11.04 hereof and (ii) for any such matters occurring after the termination which arise in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or, as the case may be, Section 15 hereof. The foregoing does not guarantee a residual value. Any party to be indemnified shall give the Lessee prompt notice of any claim or liability hereby indemnified against, and, except as otherwise provided in the Tax Indemnity Agreement dated as of February 1, 1975 among the Lessee, the Lessor and the Trustor, the Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability. Any party to be indemnified shall submit appropriate information to the Lessee to properly substantiate a requested indemnification. None of the indemnities in this Section 6 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any party to be indemnified, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

6.03. EXCEPTIONS TO INDEMNITIES. The indemnities of the Lessee provided for in Section 6.01 of this Lease for the amounts and with respect to matters referred to herein (hereinafter in this Section 6 called Expenses) shall not extend:

(a) with respect to the Trustor and United States Leasing International, Inc., as Agent and in its individual corporate capacity, to the fee of United States Leasing International, Inc. which the Trustor has agreed to pay as provided in the letter agreement dated as of February 1, 1975 between the Trustor and United States Leasing International, Inc., except as otherwise provided in (x) the Tax Indemnity Agreement dated as of February 1, 1975 (the "Tax Indemnity Agreement"), among the Lessor, the Lessee and the Trustor or (y) the letter agreement referred to in clause (b) of this Section 6.03;

(b) with respect to the Agent, to the Expenses which the Agent has agreed to pay as provided in the letter agreement dated as of February 1, 1975 between the Agent and the Lessee;

(c) to all or any part of the Total Cost of any Item of Equipment accepted in accordance with Section 2 of the Acquisition Agreement;

(d) to the principal of, interest on, and commitment and termination fees with respect to, any loans made to finance all or any part of the Total Cost of any Item of Equipment;

(e) to Expenses arising from the failure of the Lessor to remit funds to the Trustor in accordance with Section 6(e) of the Trust Agreement;

(f) to Expenses described in Sections 4.04 and 10.02 of this Lease or in the Tax Indemnity Agreement, except to the extent the Lessee has expressly agreed to assume such Expenses in the manner therein provided; and

(g) to Expenses resulting from the willful misconduct or gross negligence of the person otherwise to be indemnified.

6.04. SUBROGATION. Upon payment in full by the Lessee of an indemnity due under this Section 6 to a person entitled thereto, (i) the Lessee shall be subrogated to the extent of such payment to all rights of such person in respect thereto and (ii) such indemnified person shall pay over to the Lessee to the extent necessary to reimburse the Lessee for such payment any monies paid to such indemnified person by any person other than the Lessee in settlement of the claim, cause of action, damage, liability, cost or expense with respect to which the Lessee has made such payment.

SECTION 7. RULES, LAWS AND REGULATIONS.

7.01. COMPLIANCE WITH RULES, LAWS AND REGULATIONS. The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including without limitation the rules of the United States Department of Transportation) and the current Interchange Rules and supplements thereto of the Mechanical Division, Association of American Railroads with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease applicable to the Lessee, the Lessor or the Trustor. In case any equipment or appliance on any such Item of Equipment shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make or cause to be made such changes, additions and replacements at its own cost and expense.

7.02. EXCEPTIONS TO COMPLIANCE; ELECTION OF CASUALTY OCCURRENCE. The Lessee shall not be required to comply with any such law, regulation, requirement or rule or to make any such changes, additions or replacements during any period during which the validity or applicability thereof is being contested in good faith and by appropriate proceedings which will prevent any adverse effect on or danger to the title and interest of the Lessor to the Equipment or the imposition of any criminal liability upon the Lessor. If at any time on or before the nineteenth Periodic Rent Payment Date in respect of any Item of Equipment any changes, additions or replacements in respect of such Item of Equipment are required by

Section 7.01 hereof which would require an aggregate expenditure by the Lessee of an amount exceeding 25% of the Casualty Value (as defined in Section 11.07 hereof) of such Item of Equipment determined as of the next preceding Rent Payment Date, then and in any such event the Lessee may by written notice to the Lessor elect to treat such Item of Equipment as having suffered a Casualty Occurrence as defined in Section 11.01 hereof as of the date of such notice. Such notice shall also certify the facts in reasonable detail which are the basis for such election.

SECTION 8. USE, MODIFICATION AND MAINTENANCE OF EQUIPMENT.

The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange, assuming such Equipment is of an age which would permit such use. The Lessee shall have the right, at its own cost and expense, to make changes, modifications, alterations or installations in or on any Item of Equipment which are not prohibited by any governmental law, regulation, requirement or rule and which do not impair the value of such Item or the use of such Item in the type of service for which such Item was originally designed. Any parts, accessories, equipment or devices installed by the Lessee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor; provided, however, that the Lessee shall have the right at any time during the term of this Lease, without accounting to the Lessor therefor, to remove from any Item of Equipment any such part, accessory, equipment or device which can be removed without materially impairing the value of such Item or the use of such Item in the type of service for which the Item was originally designed. The Lessee shall be liable for the repair of any damage to an Item of Equipment caused by such removal. Subject to the requirements of this Section 8, the Lessee shall have the right to dispose of any worn out or obsolete parts, accessories, equipment or devices with or without replacement thereof and to replace the same with other parts, accessories, equipment or devices without accounting to the Lessor for any thereof.

SECTION 9. LIENS ON THE EQUIPMENT.

9.01. LIENS TO BE DISCHARGED BY LESSEE. The Lessee shall satisfy and discharge any and all liens arising from claims against, through or under the Lessee and its successors or assigns and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to satisfy or discharge (i) the security interest provided for by the Security Agreement referred to in Section 16 hereof, (ii) any inchoate liens arising in the ordinary course of business which are not delinquent or are bonded, (iii) any liens or taxes, assessments or governmental charges or levies which are not delinquent or (iv) any such claims, liens or charges during any period that the Lessee shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will prevent any adverse effect on or danger to the title and interest of the Lessor to the Equipment or the interest of the Secured Party under the Security Agreement referred to in Section 16 hereof. The Lessee's obligations under this Section 9.01 shall survive termination of this Lease.

9.02. LIENS TO BE DISCHARGED BY LESSOR. The Lessor shall pay or satisfy and discharge (but only if and to the extent funds are made available to the Trustee for that purpose pur-

suant to Section 5(d) of the Trust Agreement) any and all claims against, through or under the Lessor and its successors or assigns (other than the Security Agreement referred to in Section 16 and claims resulting from the Lessee's failure to perform or observe any of its agreements hereunder or under the Acquisition Agreement) which, if unpaid, might constitute or become a lien or charge upon the Equipment and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessor to perform any of its covenants or agreements under this Lease, which, if allowed to remain, would adversely affect or endanger the Lessee's right of quiet enjoyment and use of the Equipment. Lessor shall not be required to pay or discharge any such claims during any period that it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not adversely affect or endanger the Lessee's right of quiet enjoyment and use of the Equipment. The Lessor's obligations under this Section 9.02 shall survive termination of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.01. FILING. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act and will furnish the Lessor proof thereof. The Lessee represents and warrants that no other filing or recording of this Lease in any public office in the United States is necessary to protect the right, title and interest of the Lessor hereunder with respect to Items of Equipment located in the United States. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register, or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor, including the Security Agreement referred to in Section 16 hereof, for the purpose of protecting under the laws of the United States the Lessor's title to the Equipment or the security interest granted to the Secured Party pursuant to Section 16 to the satisfaction of the Lessor's or such Secured Party's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of counsel that such action has been properly taken. The Lessee will pay, all costs, expenses and charges incident to any such filing, re-filing, registering, re-registering, recording and re-recording of any such instruments or incident to the taking of such action.

10.02. PAYMENT OF TAXES. The Basic Rent otherwise required to be borne by the Lessee under this Agreement is exclusive of all taxes, assessments, fees, and charges (hereinafter called "Imposts") levied and imposed by any governmental unit (domestic or foreign), or any agency or instrumentality thereof:

- (a) with respect to this Agreement;
- (b) upon the Equipment or any interest of the Trustor, the Lessor and the Lessee therein (except such taxes as may be included in the Total Cost of the Equipment);
- (c) upon or on account of the sale, purchase, ownership, possession, use, operation, maintenance, delivery or return of the Equipment (except such taxes as may be included in the Total Cost of the Equipment); or
- (d) on account of or measured by the earnings or gross receipts arising from the Equipment, or the value added thereto.

The Lessee shall bear the burden and make timely remittances, to appropriate governmental units of all such excluded taxes, assessments, fees and charges (except taxes, fees or other charges incurred by reason of any transfer of the Equipment, or any interest thereunder, by the Lessor while no Event of Default has occurred and is continuing, or any taxes imposed on or measured by the net income of the Lessor or general corporation franchise or like taxes measured by the Lessor's capital, capital stock or net worth) and file timely, with each appropriate governmental unit, all returns, statements and reports legally required with respect thereto; provided, however, that the Lessor shall with respect to any state or political subdivision thereof, of the United States of America, file required returns, statements, and reports relating to sales or use taxes, and taxes, fees and charges on or measured by the Lessor's earnings or gross receipts arising from the Equipment, or the value added by the Lessor thereto, and remit the amount thereof, and the Lessee shall reimburse the Lessor promptly upon demand for the amount of such taxes, fees and charges required hereunder to be borne by the Lessee.

If the Lessor remits any Impost required hereunder to be borne by the Lessee, reimbursement thereof shall be made by the Lessee promptly upon the Lessor's demand.

The Lessee shall not be required to remit to any governmental unit any Impost, unless remittance may not legally be withheld, if and so long as the Lessee shall in good faith, with due diligence, and by appropriate judicial or administrative proceedings, contest the validity, applicability, or amount thereof; provided that no such contest shall be instituted unless the Lessee shall, at least ten (10) days prior thereto, give to the Lessor written notice of the Lessee's intent to contest the Impost and the nonpayment does not, in the opinion of the Lessor and the Trustor, adversely affect the title, property or rights of the Lessor, the Trustor or the Secured Party referred to in Section 16 hereof.

The Lessee shall, whenever requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings, and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this Section 10.02. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

To the extent that the Lessee may be prohibited by law from performing in its own name the duties required by this Section 10.02, the Lessor hereby authorizes the Lessee to act in its name and on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith, as a result of, or incident to, any action by the Lessee pursuant to this authorization.

In the event that during the continuance of this Lease, the Lessee becomes liable for any remittance or reimbursement pursuant to this Section, such liability shall continue notwithstanding the expiration of this Lease, until such Impost is remitted or the Lessor is reimbursed therefor.

10.03. INVESTMENT TAX CREDIT ELECTION. The Lessor agrees that it will execute and file a Section 48(d) Election (as hereinafter defined) with the Lessee within the time period prescribed in Section 1.48-4(f)(2) of the Regulations (the "Regulations") under the Internal Revenue Code of 1954 (the "Code"), provided that the Lessor shall have received such Elec-

tion from the Lessee in a form satisfactory to the Lessor at least 60 days prior to the expiration of such time period. In the event the Lessee provides such Election Form at least 30 days but less than 60 days prior to the expiration of the time period prescribed in Section 1.48-4(f)(2) of the Regulations, the Lessor shall make a reasonable good faith effort to execute and file such election with the Lessee within such time period.

For purposes of this Section 10.03, the term "Section 48(d) Election" shall mean a written statement described in Section 1.48-4(f)(1) of the Regulations which specifies the Equipment as the property with respect to which the election under Section 48(d) of the Code is being made. The Section 48(d) Election shall be prepared by, and at the expense of, the Lessee.

The Lessor and the Trustor have not made and shall not be deemed to have made any warranty or representation, either express or implied, (i) as to the validity or effectiveness of the Section 48(d) Election as an election under Section 48(d) of the Code to treat the Lessee as having acquired the Equipment for purposes of the investment tax credit allowed under Section 38 of the Code, (ii) as to the truth or accuracy of any statement in such Election, except the name, address and taxpayer account number of the Lessor and the district director's office with which income tax returns of the Lessor will be filed, or (iii) as to the fulfillment of the conditions specified in Section 1.48-4(a)(1) of the Regulations with respect to the Equipment, it being agreed that, as between the Trustor, the Lessor, and the Lessee, the Lessee shall bear sole responsibility for the validity and effectiveness of such Election under Section 48(d) of the Code.

SECTION 11. PAYMENT FOR CASUALTY OCCURRENCE OR EQUIPMENT UNSERVICEABLE FOR USE; INSURANCE.

11.01. NOTIFICATION BY LESSEE OF CASUALTY OCCURRENCE. In the event that during the term of this Lease with respect to any Item of Equipment such Item (i) shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged or permanently rendered unfit for use from any cause whatsoever, or (ii) shall be requisitioned or taken by any governmental authority in the United States (other than the United States of America or any agency thereof) by condemnation or otherwise for a stated term which exceeds the remaining term of this Lease with respect to such Item or for an indefinite term and in either case, the Lessee is in fact denied the use and possession of such Item of Equipment for the remaining term of this Lease with respect to such Item of Equipment, or (iii) shall be requisitioned or taken by any foreign governmental authority by condemnation or otherwise for an indefinite term or for a stated term of more than one year and in either case the Lessee is, in fact, denied use and possession of such Item of Equipment for a period of more than one year, or (iv) shall be requisitioned or taken by any governmental authority in the United States (including the United States of America or any agency thereof) or any foreign governmental authority and a sale, exchange or other disposition (within the meaning of the Code) shall occur as a result thereof, or (v) shall be the subject of an election by the Lessee pursuant to Section 7.02 hereof (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has actual knowledge of such Casualty Occurrence) inform the Lessor in regard thereto.

11.02. PAYMENT FOR CASUALTY OCCURRENCE. When the aggregate Casualty Value (as defined in Section 11.07 hereof) of Items of Equipment having suffered a Casualty Occurrence to Lessee's actual knowledge (exclusive of Items of Equipment having suffered a Casualty

Occurrence with respect to which a payment shall theretofore have been made to the Lessor pursuant to this Section 11) shall exceed \$100,000, the Lessee, on the next succeeding Rent Payment Date, shall pay to the Lessor an amount equal to (x) the sum of (i) the Casualty Value of such Item or Items of Equipment, (ii) .0227334% of the Total Cost of such Item or Items of Equipment times the number of days from the Rent Payment Date immediately preceding the Casualty Occurrence through the date of the Casualty Occurrence and (iii) interest on such Casualty Value at the rate of 10³/₄% per annum from the Casualty Occurrence until the date of payment of such amount determined pursuant to this Section 11.02 less (y) the sum of (i) all payments of Periodic Rent due and paid after the Casualty Occurrence and (ii) interest at the rate of 10³/₄% per annum on such payments of Periodic Rent from the date such payments of Periodic Rent are made until the date of payment of such amount determined pursuant to this Section 11.02; provided, that notwithstanding the foregoing the Lessee shall on the last Rent Payment Date of each calendar year pay to the Lessor an amount equal to (x) the sum of (i) the Casualty Value of any Item or Items of Equipment which to the Lessee's actual knowledge have suffered a Casualty Occurrence during the year ended on such date or any prior year for which no payment has previously been made to the Lessor pursuant to this Section 11.02, (ii) .0227334% of the Total Cost of such Item or Items of Equipment times the number of days from the Rent Payment Date immediately preceding the Casualty Occurrence through the date of such Casualty Occurrence and (iii) interest on such Casualty Value at the rate of 10³/₄% per annum from the Casualty Occurrence until the date of payment of such amount determined pursuant to this Section 11.02 less (y) the sum of (i) all payments of Periodic Rent due and paid after the Casualty Occurrence and (ii) interest at the rate of 10³/₄% per annum on such payments of Periodic Rent from the date such payments of Periodic Rent are made until the date of payment of such amount determined pursuant to this Section 11.02.

11.03. OPTIONAL RETIREMENT OF EQUIPMENT. Subject to the proviso hereto the Lessee may, upon not less than 150 days prior written notice to the Lessor, terminate this Lease with respect to any Item of Equipment which in the good faith judgment of the Lessee shall have become economically unserviceable or unserviceable due to restrictions on use imposed by governmental law, regulation, requirement or rule on the twentieth Rent Payment Date or on any succeeding Rent Payment Date in respect of such Item of Equipment upon payment to the Lessor of an amount equal to the Termination Value of such Item of Equipment as of such Rent Payment Date, provided that the Lessee shall not be permitted to terminate this Lease on any such Rent Payment Date unless the aggregate Termination Value of the Items of Equipment for which settlement will then be made exceeds \$100,000. The notice shall identify the Items of Equipment with respect to which this Lease is being terminated and the Rent Payment Date on which settlement will be made. For the purposes of this Section 11.03, interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sales contracts, leases or other arrangements for deferred payment of the purchase price, shall be disregarded in the determination of economic unserviceability.

11.04. RENT TERMINATION. Upon (and not until) payment of the Casualty Value or, as the case may be, the Termination Value in respect of any Item or Items of Equipment, the obligation to pay Periodic Rent for such Item or Items of Equipment (including the Periodic Rent installment due on any Casualty Value, but not Termination Value, payment date) shall terminate, but the Lessee shall continue to pay Basic Rent for all other Items of Equipment and the indemnities provided for in Section 6.01 hereof shall continue in full force and effect

(in each case not therefore reimbursed)

with respect to any acts, events or omissions relating to the Item of Equipment for which settlement has been made pursuant to Section 11.02 or 11.03 until such Item of Equipment has been disposed of pursuant to Section 11.05 hereof. The Lessee shall pay when due all Periodic Rent payments as to any Item or Items due prior to the date on which the Casualty Value thereof is payable and all such payments due prior to or on the date on which the Termination Value thereof is payable. In connection with the payment of the Casualty Value or, as the case may be, the Termination Value of any Item of Equipment, the Lessee shall furnish to the Lessor a schedule listing the Equipment which remains subject to this Lease after giving effect to such Casualty or Termination Value payment and the Periodic Rent which will accrue and become payable with respect to such equipment.

11.05. DISPOSITION OF EQUIPMENT. The Lessee shall, as agent for the Lessor, promptly dispose of such Item or Items of Equipment for which settlement has been made pursuant to Section 11.02 or 11.03 for the highest price reasonably obtainable. Any such disposition shall be on an "as is", "where is" basis without representation or warranty express or implied. As to each separate Item of Equipment so disposed of the Lessee shall be entitled to receive and retain all proceeds of the disposition (including in the case of a Casualty Occurrence, any insurance proceeds and damages received by the Lessee or the Lessor) up to the sum of (i) the out-of-pocket expenses (including legal costs and attorneys' fees) incurred by the Lessee in connection with such disposition, and (ii) the Casualty Value or, as the case may be, the Termination Value thereof, and shall remit the excess, if any, to the Lessor. Neither the Lessee nor any "affiliate" (as hereinafter defined) of the Lessee shall be permitted to purchase any Item of Equipment with respect to which this Lease has been terminated pursuant to Section 11.02 or Section 11.03. It is understood and agreed that the Lessor shall not be liable to the Lessee for any costs or expenses incurred by the Lessee in connection with the disposition of any Item of Equipment.

For purposes of this Section 11.05, the term "affiliate" shall mean any subsidiary of the Lessee or any person reported in the published financial statements of the Lessee on an equity in net assets basis.

11.06. CASUALTY PRIOR TO COMMENCEMENT OF PRIMARY TERM. In the event the Lessee shall have notified the Lessor at least ten days prior to the commencement of the Primary Term hereunder with respect to any Item or Items of Equipment that such Item or Items of Equipment have suffered a Casualty Occurrence the Casualty Value for such Item or Items shall be an amount equal to 102% of the Total Cost thereof plus the total amount of Interim Rent therefor, if any, to the date of payment of such Casualty Value, which date of payment shall not be more than ten days after the date of notice to the Lessor of such Casualty Occurrence. If, less than ten days prior to, or after, the commencement of the Primary Term hereunder with respect to any Item or Items of Equipment, the Lessee shall have notified the Lessor that such Item or Items of Equipment have suffered a Casualty Occurrence prior to such commencement, the date of such Casualty Occurrence shall be deemed to be one day after such commencement.

11.07. CASUALTY VALUE. The "Casualty Value" of each Item of Equipment shall be an amount determined as of the Rent Payment Date immediately preceding the Casualty Occurrence equal to that percentage of the Total Cost of such Item of Equipment as specified in the Schedule of Casualty Value attached hereto as Schedule 2 for such Rent Payment Date, except that, if the Casualty Occurrence is on a Rent Payment Date, the "Casualty Value" shall

be determined as of such Rent Payment Date and all Periodic (and Interim, if any) Rent payable on such date shall be paid. For the purposes of this Section 11.07, the date of commencement of the Primary Term with respect to any Item or Items of Equipment shall be considered a Rent Payment Date.

11.08. TERMINATION VALUE. The "Termination Value" of each Item of Equipment shall be an amount determined as of the date the Termination Value is paid as provided in Section 11.03 hereof equal to that percentage of the Total Cost of such Item of Equipment as specified in the Schedule of Termination Value attached hereto as Schedule 3 for the Rent Payment Date on which such Termination Value is to be paid.

11.09. RISK OF LOSS. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment after the date hereof.

and not therefore reimbursed,

11.10. REQUISITION OR TAKING. In the event of any requisition or taking of any Item of Equipment by any governmental authority which does not constitute a Casualty Occurrence under the provisions of Section 11.01 hereof, the Lessee's duty to pay Periodic Rent shall continue for the duration of such requisition or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking up to an amount equal to the Periodic Rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property subject to the terms and provisions of the Trust Agreement. In the event of any requisition or taking constituting a Casualty Occurrence, provided no Event of Default as defined in Section 14.01 hereof has occurred and is continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable by the governmental authority as compensation for such requisition or taking up to the sum of (i) the out-of-pocket expenses (including legal costs and reasonable attorneys' fees) incurred by the Lessee in connection with such requisition or taking and (ii) any Casualty Value paid by the Lessee to the Lessor in respect of the Item or Items of Equipment which were requisitioned or taken, and the balance, if any, shall be payable to and retained by the Lessor as its sole property subject to the terms and provisions of the Trust Agreement.

11.11. RECOVERY OF AND PROSECUTION OF CLAIMS. The Lessor hereby authorizes and empowers the Lessee as agent for the Lessor to negotiate, accept, reject, file and prosecute any claims, including what otherwise would be the Lessor's claim, for any award or compensation on account of any loss, damage, destruction, confiscation, requisition or taking of any Item of Equipment and to collect and retain the proceeds thereof to the extent permitted by this Section 11. The proceeds obtained by the Lessee for any loss or damage which is not a Casualty Occurrence shall be retained by the Lessee.

11.12. INSURANCE.

(a) Insurance Against Loss of or Damage to Equipment. The Lessee will at all times after acceptance of delivery of each Item of Equipment, at its own expense, keep or cause to be kept such Item insured by a reputable insurance company or companies in such amounts, if any, and against such risks, if any, customarily insured against by the Lessee on similar equipment owned or leased by it. Any insurance policy may provide that losses shall be adjusted with the Lessee and shall provide that the proceeds thereof shall be payable to the Lessor, the Secured Party, and the Lessee as their interests shall appear and that the same shall

not be canceled without at least 30 days prior written notice to each assured named therein. Provided no Event of Default has occurred and is continuing, any proceeds of insurance received by the Lessor or the Secured Party on account of or for any loss or casualty with respect to any Item of Equipment shall be paid to the Lessee either (i) upon notice in writing from the Lessee to the Lessor and the Secured Party that repair of any damage to such Item with respect to which such proceeds were paid has been or will be undertaken, or (ii) if this Lease is terminated with respect to such Item pursuant to Section 11.02 hereof upon payment by the Lessee of the Casualty Value of such Item. On or before the date of acceptance of delivery of the first Item of Equipment hereunder, the Lessee shall furnish the Lessor with certificates or other satisfactory evidence of maintenance of the insurance required under this Section 11.12(a) and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies.

(b) Insurance Against Public Liability and Property Damage. The Lessee presently maintains public liability insurance with respect to the Items of Equipment against claims for bodily injury, death or property damage.

SECTION 12. ANNUAL REPORTS.

12.01. REPORT AS TO EQUIPMENT. On or before April 30 in each year, commencing with the year 1976, the Lessee will furnish to the Lessor or its assigns an accurate statement, as of the close of the preceding calendar year (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that have suffered a Casualty Occurrence to the actual knowledge of the Lessee during such preceding calendar year (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.02 hereof have been preserved or replaced.

12.02. FINANCIAL STATEMENTS. As soon as practicable after the end of each fiscal year of the Lessee and in any event within 120 days thereafter, the Lessee will furnish to the Secured Party in sufficient copies for the Secured Party and distribution by the Secured Party to the Lessor, the Agent, the Trustor and each of the holders of the Notes outstanding under the Security Agreement (i) the annual report of the Lessee in the form furnished to its stockholders and (ii) a written statement signed by a Responsible Officer (as hereinafter defined) of the Lessee, stating that, to the best of his knowledge, no Event of Default or event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, has occurred and is continuing, or if such shall not be the case, specifying the same and the nature and status thereof.

“Responsible Officer” when used with respect to the Lessee means the Chairman, the President, the Vice Chairman, any Vice President or the Treasurer, or any other officer of the Lessee, or of a division or subsidiary of the Lessee, customarily performing functions similar to those performed by the above designated officers.

12.03. LESSOR'S INSPECTION RIGHTS. The Lessor or its assigns shall have the right, at its sole cost and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such reasonable places and times as shall be reasonably

necessary to confirm to the Lessor or its assigns the existence and proper maintenance thereof during the continuance of this Lease; *provided, however*, that the Lessee shall not be liable, except in case of negligence of the Lessee or of its employees or agents, for any injury to or the death of any such representative. Lessee shall not be required to retain any records with respect to the Equipment beyond its normal retention policy or as may otherwise be required by any governmental law, rule or regulation.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Items of Equipment, the Lessee will, at its own cost and expense, deliver possession of such Items of Equipment to the Lessor, in good order and repair, ordinary wear and tear excepted, suitable for use in interchange (assuming such Items of Equipment are of an age which would permit such use), upon such storage tracks at a site or sites within 25 miles of any one or more of the following locations selected by the Lessee and designated in a written notice to the Lessor given not later than 120 days prior to the expiration of the term of this Lease in respect of such Items of Equipment: Chicago, Illinois; Los Angeles or Torrance, California; North Seadrift, Texas City or Brownsville, Texas; Marietta, Ohio; South Bound Brook or Perth Amboy, New Jersey; Institute or South Charleston, West Virginia; or Whiting, Indiana. The Lessee will place at least ten Items of Equipment (or such lesser amount as may be leased under the term of this Lease then expiring) at each site so selected and designated. The Lessee shall give prompt written notice to the Lessor of the car numbers of the Items of Equipment placed on the storage tracks at each such location. The Lessee will provide storage for such Items of Equipment on such tracks for a period not exceeding 45 days from the expiration of the term with respect to such Items. Such storage for such period is to be at the risk and expense of the Lessee. During the last 120 days of the term with respect to an Item of Equipment and any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; *provided, however*, that the Lessee shall not be liable, except in case of negligence of the Lessee or of its employees or agents, for any injury to or the death of any such person or representative. The assembling, delivery and storage of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver and store the Equipment.

SECTION 14. DEFAULT.

14.01. EVENTS OF DEFAULT. The term "Event of Default" shall mean any one of the following events:

(a) default shall be made in the payment of Basic Rent and such default shall continue for more than ten days;

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, in the Acquisition Agreement or in the Tax Indemnity Agreement dated as of February 1, 1975 among the Lessee, the Trustor and the Lessor, and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(c) any representation or warranty made by the Lessee herein or in any statement or certificate furnished pursuant to this Lease, the Acquisition Agreement, the Loan Agreements to be entered into among the Lessor and certain institutional investors or the Purchase Agreements referred to in the Loan Agreements proves untrue in any material respect as of the date of issuance or making thereof and shall not be made good within 30 days after notice thereof to the Lessee by the Lessor;

(d) any "Event of Default", as defined in Section 14.01 of the Charter Agreement dated as of February 1, 1975 between the Lessor, as Owner, and the Lessee, as Charterer, shall have occurred and be continuing;

(e) the Lessee shall become insolvent or bankrupt or admit in writing its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors; or

(f) bankruptcy, reorganization, arrangement or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors shall be instituted by or against the Lessee; or the Lessee shall permit or there shall occur any involuntary transfer of its interest hereunder or of all or substantially all of the Lessee's property by bankruptcy or by the appointment of a receiver or trustee or by execution or by any judicial or administrative decree or process or otherwise; unless in every such case such proceedings (if instituted against the Lessee) shall be dismissed or such assignment, transfer, decree or process shall within 60 days from the filing or other effective date therein be nullified, stayed or otherwise rendered ineffective, or unless any such receiver or trustee shall within 60 days from the date of his appointment adopt and assume this Lease pursuant to due authority of law and of the court appointing him.

The term "Default" shall mean any event which would constitute an Event of Default if any requirement in connection therewith for the giving of notice, or the lapse of time, or the happening of any further condition, event or action had been satisfied.

14.02. REMEDIES. When any Event of Default has occurred and is continuing, the Lessor at its option may:

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

(2) From time to time, by notice in writing to the Lessee, terminate this Lease with respect to one or more Items of Equipment, whereupon all right of the Lessee to the use of such Items of Equipment shall absolutely cease and terminate, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of such Items of Equipment may be located and take possession of all or any of such Items of Equipment, cause the removal and storage at the Lessee's cost and expense of any freight on board such Items of Equipment, and thenceforth hold, possess and enjoy such Items of Equipment free from any right of the Lessee, or its successors or assigns, to use such Items of Equipment for any purpose whatever, but the Lessor shall, nevertheless, have the right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination with respect to such Items of Equipment (computing the rental for any number of days less than a full rental period by multiplying the Interim Rent or Periodic Rent for the full rental period by a fraction of which the numerator is such accrued number of days and the denominator is

the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) with respect to such Items of Equipment, as damages for loss of a bargain and not as a penalty, at the option of the Lessor, either (x) an amount which is equal to the excess of the sum of the present worth, at the time of such termination, of all Periodic Rent which would otherwise have accrued hereunder from the date of such termination to the end of the Primary Term or the then current Renewal Term with respect to each such Item of Equipment over the sum of the then present worth of the then fair market rental value of each such Item for such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded semiannually from the respective dates upon which Periodic Rent would have been payable hereunder had this Lease not been terminated with respect to such Items, or (y) an amount which is equal to the excess of the Casualty Value of each such Item of Equipment, calculated as if a Casualty Occurrence had occurred with respect to such Item at the time of such termination, over the fair market sales value of each such Item which the Lessor reasonably estimates to be obtainable for each such Item, and (ii) any damages and expenses in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for payment of Basic Rent.

In addition, the Lessor may exercise any other right or remedy which may be available to it under applicable law. The Lessee will reimburse the Lessor for any cost and expenses incurred by it in placing the Equipment in the condition required by Section 8 hereof and will pay all reasonable legal fees and other costs and expenses incurred by the Lessor in exercising its remedies hereunder (including, without limitation, costs of selling or releasing Items of Equipment). For purposes of subparagraph (2) above, fair market rental value and fair market sales value of Items of Equipment shall be determined in accordance with the fourth and fifth sentences of Section 24.01 hereof and shall be determined by the Lessor or, if the Lessor so elects, by an independent appraiser (at the expense of the Lessee) selected by the Lessor, provided that any sale in a commercially reasonable manner of an Item of Equipment prior to any such determination shall conclusively establish the fair market sales value of such Item.

14.03. CUMULATIVE REMEDIES. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law.

14.04. LESSOR'S FAILURE TO EXERCISE RIGHTS. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any other Event of Default.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.01. LESSEE'S DUTY TO RETURN. If the Lessor shall terminate this Lease with respect to an Item of Equipment pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of such Item of Equipment to the Lessor. For the purpose of delivering possession of any such Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith assemble and place such Item of Equipment upon storage tracks at such site as the Lessor may designate which is within 25 miles of a location referred to in Section 13 hereof or, in the absence of such designation, as the Lessee may select;

(b) Provide storage at the risk of the Lessee for such Item of Equipment on such tracks for a period not exceeding 180 days after written notice to the Lessor specifying the place of storage and the car number of the Item so stored; and

(c) Transport or cause to be transported any such Item of Equipment, at any time within such 180 days' period, to any place on the lines of a railroad within a 25-mile radius of such storage tracks, all as the Lessor may reasonably direct upon not less than 30 days' written notice to the Lessee.

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

15.03. LESSOR APPOINTED LESSEE'S AGENT. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to Lessor, to demand and take possession of such Item in the name and on behalf of Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

The Lessor intends to grant a security interest in this Lease and all Basic Rent due and to become due hereunder, other than as specifically excepted under Section 1.07 of the Security Agreement referred to below, to Harris Trust and Savings Bank, as Trustee (the "Secured Party"), under a Security Agreement-Trust Deed (the "Security Agreement") to be executed and delivered by the Lessor as collateral security for indebtedness of the Lessor incurred to finance the acquisition of the Equipment. Upon the execution and delivery of the Security Agreement, the Lessor shall give written notice thereof to the Lessee and all Basic Rent due and to become due hereunder (subject to the exceptions and reservations set forth in the Security Agreement) shall be paid to the Secured Party. The Secured Party shall not be bound by or obligated to perform or see to the performance of any duty, covenant or condition or warranty (express or implied) made by the Lessor or required to be observed or performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee by its execution hereof acknowledges and agrees that notwithstanding such assignment each and all of such covenants and agreements of the Lessor and all representations and warranties shall survive such assignment and shall be and remain the sole liability of the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of the Secured Party, its successors in trust and assigns, in and to the Basic Rent payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or

to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay the Secured Party all of the Basic Rent (subject to the exceptions and reservations set forth in the Security Agreement) due and to become due hereunder, and (ii) (subject to the exceptions and reservations set forth in the Security Agreement) the Secured Party shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Secured Party) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.01. LESSEE'S RIGHTS TO THE EQUIPMENT. So long as no Event of Default shall have occurred and be continuing, the Lessee shall be entitled to the possession, use and quiet enjoyment of the Equipment in accordance with the terms of this Lease (including delivery of the same to railroad companies or other carriers for movement thereof in accordance with instructions of Lessee) but, without the prior written consent of the Lessor, which will not be unreasonably withheld, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment except pursuant to the terms and conditions of Sections 17.02 and 17.03 hereof. No such assignment, transfer or encumbrance shall relieve the Lessee of any of the obligations, liabilities or duties hereunder which shall be and remain those of a principal and not a surety.

17.02. USE AND POSSESSION BY LESSEE, INTERCHANGE, "MILEAGE". The Lessee will use or permit the use of the Equipment only in the United States, except that the Lessee may from time to time use or cause to be used outside the United States in the Western Hemisphere Items of Equipment, provided that (i) during any calendar year the total use of Equipment outside of the United States shall not exceed, on an aggregate basis, more than 2% of the total aggregate use of the Equipment in the United States and outside the United States and (ii) each Item of Equipment shall be used wholly or in part in the United States. The Lessee agrees that it will not, without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, assign this Lease or any of its rights hereunder or sublease any Item of Equipment; provided, however, that no such consent shall be required for (i) the assignment of any of its rights hereunder or the sublease of any Item of Equipment to, or the use thereof by, an "affiliate" (as defined in Section 11.05 hereof) of the Lessee or any vendors, customers or consignees of the Lessee or an affiliate, of goods being shipped therein, or (ii) the use of any Item of Equipment by others in the usual interchange of traffic (subject to the limitation set forth in the first sentence of this Section), or (iii) the sublease of any Item of Equipment to, or use thereof by, any person, firm or corporation (other than a person, firm or corporation referred to in clause (i) of this Section 17.02) to the extent that such sublease or use is in the judgment of the Lessee necessary or appropriate or helpful to the conduct of its business, provided that each such sublease or use permitted by this clause (iii) shall be evidenced by a written agreement with the sublessee or user which shall specifically state that such sublease or use is subject and subordinate to this Lease and that the Lessee shall give the Lessor written notice of each sublease or use permitted by this clause (iii) within 60 days after such sublease or use is entered into, which notice shall identify the sublessee or user, the Items of Equipment covered thereby and the expiration date of the sublease or use. No such assignment, sublease or permitted use shall relieve the Lessee of any of the obligations, liabilities or duties hereunder, which shall be and remain those of a principal and not a surety. The Lessee may receive and retain for its own account such compensation for subletting the Equipment and/or for the use of the Equipment by others as the Lessee may determine. Without limiting the fore-

going, it is contemplated that the Lessor shall collect all mileage allowances, rentals and/or other compensation (hereinafter referred to as "Mileage") payable by carriers by reason of the use, ownership or operation of the Equipment, and, provided that no Event of Default has occurred and is continuing, the Lessor shall remit said Mileage so collected to the Lessee to the extent of the aggregate of the Basic Rent, and any and all additional amounts payable pursuant to the terms hereof by the Lessee (all of which amounts, for the purpose of this Section 17.02 only, shall be deemed to be "Rent"), which are paid or payable by the Lessee to and including the date of any such remittance, less the aggregate of any prior remittance of Mileage; provided, however, that if, at any time during the term of this Lease, or within sixty (60) days after termination of this Lease, the Lessee shall furnish to the Lessor an opinion, ruling or other evidence reasonably satisfactory to the Lessor's legal counsel to the effect that the Lessor may lawfully remit to the Lessee all or any portion of said Mileage which exceeds the Rent hereunder, and if no Event of Default has occurred and is continuing, the Lessor shall remit such excess Mileage within ten days after demand therefor by the Lessee or, in the case of any such excess Mileage collected by the Lessor after such demand by the Lessee, within thirty (30) days after the collection thereof by the Lessor. The obligation of the Lessor shall survive termination of this Lease.

17.03. MERGER, CONSOLIDATION OR ACQUISITION OF LESSEE. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety.

SECTION 18. OPINION OF LESSEE'S COUNSEL.

On or before the date of acceptance of delivery of the first Item of Equipment tendered for delivery hereunder, the Lessee will deliver to the Lessor and the Lenders the written opinion of counsel for the Lessee addressed to the Lessor, the Bank and the Lenders, in scope and substance satisfactory to the Lessor, the Bank and the Lenders, to the effect that:

(a) The Lessee is a corporation legally incorporated, validly existing and in good standing under the laws of the State of New York;

(b) The Lessee has the corporate power and authority to own its property and carry on its business as now being conducted;

(c) This Lease, the Acquisition Agreement and the Tax Indemnity Agreement have been duly authorized, executed and delivered by the Lessee and constitute the valid, legal and binding agreements of the Lessee enforceable against the Lessee in accordance with their respective terms (except as such terms may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally);

(d) No approval, consent or withholding of objection is required from any public regulatory body with respect to the entering into or performance by the Lessee of the Acquisition Agreement, this Lease or the Tax Indemnity Agreement; and

(e) The execution and delivery by the Lessee of the Acquisition Agreement, this Lease and the Tax Indemnity Agreement do not (i) violate (x) any provision of Federal or New York law or, to the best of such counsel's knowledge, any provision of any other law or (y) any order binding on the Lessee of any court or governmental agency or (ii) conflict with, result in a breach of or constitute a default under the provisions of the Cer-

tificate of Incorporation or By-Laws of the Lessee or any indenture, agreement or other instrument known to such counsel to which the Lessee is a party or by which it is bound.

SECTION 19. RIGHT OF LESSOR TO PERFORM; INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

If the Lessee shall fail to perform or observe any of the terms of this Lease, the Lessor may in its discretion do all acts and make all expenditures necessary to remedy such failure (other than a failure to pay Basic Rent), *provided* that the Lessor, though privileged so to do, shall be under no obligation to the Lessee to do any such act or make any such expenditure nor shall the making thereof relieve the Lessee of any default in that respect.

Any nonpayment when due of Basic Rent or other amounts payable hereunder which are payable by the Lessee to the Lessor, the Trustor, the Bank, the Secured Party or the holders of the Notes, or amounts expended by any such party on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also an amount of interest equal to (i) 11¼% per annum (or the lawful rate, whichever is less) on any overdue Basic Rent and amounts expended by the Bank, the Secured Party or the holders of the Notes and (ii) 12% per annum (or the lawful rate, whichever is less) on any other such amounts payable hereunder ~~or~~ *and* amounts expended by the Lessor or the Trustor in each case for the period of time during which they are overdue or expended and not repaid.

Interest hereunder shall be computed on the basis of a 360-day year consisting of 12 consecutive 30-day months.

SECTION 20. NOTICES.

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

If to the Lessor:

Trust Company for USL, Inc.
Trustee under U. C. Trust No. 11
1211 West 22nd Street
Oak Brook, Illinois 60521

(with copies of such notice to be sent to:

United States Leasing International, Inc., Agent for the
Trustee under U. C. Trust No. 11
633 Battery Street
San Francisco, California 94111

Attention: *Vice President—Lease Underwriting Group*

and

Ford Motor Credit Company
The American Road
P. O. Box 1729
Dearborn, Michigan 48121

Attention: *Vice President—CIR Financing*)

If to the Lessee:

Union Carbide Corporation
270 Park Avenue
New York, New York 10017

Attention: *Treasurer*

(with copies of such notice to be sent

Attention: *Vice President Distribution—Chemicals and
Plastics*

and

Attention: *Director of Corporate Distribution*)

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

SECTION 21. EXECUTION IN COUNTERPARTS.

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

SECTION 22. LAW GOVERNING.

This Lease shall be construed in accordance with the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

SECTION 23. HEADINGS AND TABLE OF CONTENTS.

The headings of the sections of this Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

SECTION 24. PURCHASE AND RENEWAL OPTIONS; APPRAISAL.

24.01. DETERMINATION OF FAIR MARKET SALES VALUE AND FAIR MARKET RENTAL VALUE. Not more than 18 months nor less than 12 months prior to the expiration of the Primary Term or the then current Renewal Term with respect to an Item of Equipment, the Lessee may notify the Lessor in writing that the Lessee desires a determination of the fair market sales value and the fair market rental value of such Item of Equipment as of the end of such Term and the fair market sales value of such Item of Equipment as of the end of the next succeeding Renewal Term (except that at the end of the Third Renewal Term, if any, only the fair market sales value of such Item of Equipment as of the end of such Third Renewal Term shall be determined). Thereafter, the Lessor and the Lessee shall consult for the purpose of determining such fair market sales values and fair market rental value of such Items of Equipment as of the end of such Term or Terms, and any values agreed upon in writing shall constitute such fair market sales values and fair market rental value for the purposes of this Section. If the Lessor and the Lessee fail to agree upon such values prior to nine months prior to the expiration of such current Term, the Lessee may request that such values be deter-

mined by the "Appraisal Procedure" (as hereinafter defined). Such fair market sales values and such fair market rental value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user or lessee (other than a lessee currently in possession or a used equipment or scrap dealer) and an informed and willing seller or lessor under no compulsion to sell or lease. In any such determination, transportation costs shall not be a deduction from value and parts, accessories, equipment or devices which the Lessee may remove from an Item of Equipment under the provisions of Section 8 hereof shall not be deemed to constitute a part of such Item. The Lessee's request for a determination of fair market sales values and fair market rental value shall not obligate the Lessee to exercise any of the options provided in this Section 24. The Lessee shall pay all costs and expenses of any appraisal pursuant to this Section 24.01, provided that if the Lessee shall exercise the option to renew or, as the case may be, the option to purchase with respect to which the appraisal was requested, an amount equal to 50% of the costs and expenses of such appraisal shall be credited against the Renewal Rent or, as the case may be, the option price.

"Appraisal Procedure" shall mean the following procedure for determining the fair market sales values or the fair market rental value, as the case may be, of any Item of Equipment: If the Lessee shall have given written notice to the Lessor requesting determination of such value by the Appraisal Procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within ten business days after such notice is given, each party shall appoint an independent appraiser within 15 business days after such notice is given, and the two appraisers so appointed shall within 20 business days after such notice is given, appoint a third independent appraiser. If no such third appraiser is appointed within 20 business days after such notice is given, either party may apply to any court having jurisdiction to make such appointment, and both parties shall be bound by any appointment made by such court. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the fair market sales values or the fair market rental value, or each, of such Item of Equipment within 60 days after his or their appointment. If the parties shall have appointed a single appraiser, his determination of value shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final.

24.02. OPTIONS TO PURCHASE. The Lessee shall have the right on the date of the expiration of the Primary Term and each Renewal Term with respect to each Item of Equipment to purchase all but not less than all of the Items of Equipment then leased hereunder for such Term expiring on such date at a price equal to the fair market sales value thereof determined at the end of such Term pursuant to Section 24.01 hereof. The Lessee shall give to the Lessor written notice at least 120 days, and not more than one year, prior to the end of such Term of its election to exercise the purchase option provided for in this Section. Payment of the option price shall be made on the date of purchase at the place of payment specified in Section 2 hereof in funds there current against delivery of (i) a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to such Items of Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of this Lease; (ii) a satisfaction and discharge of this Lease duly executed in recordable form by the Lessor as to such Items of Equipment; (iii) satisfactions of all security interests in

respect of such Items of Equipment duly executed in recordable form by the Secured Party. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters.

24.03. OPTIONS TO RENEW. The Lessee shall have the right on the date of the expiration of the Primary Term and each Renewal Term (except the third Renewal Term) with respect to each Item of Equipment to renew this Lease in respect of all but not less than all of the Items of Equipment then leased hereunder for such Term expiring on such date for a Renewal Term of five years commencing at the expiration of such Term, in which case all of the provisions of this Lease shall be applicable during the Renewal Term except that Periodic Rent during the Renewal Term shall be the fair market rental value of such Items of Equipment as of the end of the immediately prior Term and the Casualty Values and Termination Values shall be determined in accordance with Section 24.05 hereof. The Lessee shall give to the Lessor written notice at least 120 days, and not more than one year, prior to the end of each such Primary Term or Renewal Term, as the case may be, of its election to exercise the renewal option provided for in this Section.

24.04. CASUALTY VALUE CONTROLLING. If a Casualty Occurrence with respect to any Item of Equipment shall take place subsequent to the giving by the Lessee of notice to the Lessor of exercise of an option provided in Section 24.02 or Section 24.03 hereof but prior to the date of expiration of the then current Term with respect to such Item, then such notice shall be void and of no effect with respect to such Item of Equipment and the Lessee shall settle for such Item of Equipment in accordance with Section 11.02 hereof.

24.05. CASUALTY VALUE AND TERMINATION VALUES DURING RENEWAL TERM. The schedule of Casualty Values and Termination Values applicable to each Item of Equipment during any Renewal Term shall provide that the Casualty Value and Termination Value as of the commencement of such Renewal Term shall be the fair market sales value of such Item of Equipment as of the end of the Primary Term or the next preceding Renewal Term, as the case may be (determined in accordance with Section 24.01 hereof), and on each Rent Payment Date during such Renewal Term shall decline on a straight-line basis to a value for the tenth such Rent Payment Date which shall be the fair market sales value of such Item of Equipment as of the end of such Renewal Term (determined in accordance with Section 24.01 hereof).

SECTION 25. MISCELLANEOUS.

25.01. CONCERNING THE LESSOR. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, covenants, undertakings and agreements herein made on the part of the Lessor, while in form purporting to be the representations, covenants, undertakings and agreements of Trust Company for USL, Inc. are nevertheless each and every one of them, made and intended not as representations, covenants, undertakings and agreements of Trust Company for USL, Inc. in its individual corporate capacity or for the purpose or with the intention of binding Trust Company for USL, Inc. in its individual corporate capacity, but are made and intended for the purposes of binding only the Trust and the Trust Estate as those terms are used in the Trust Agreement; said Trust is the Lessor hereunder, and this Lease is executed and delivered by Trust Company for USL, Inc. not in its individual corporate capacity but solely in the exercise of the powers conferred upon it as Trustee under the Trust

Agreement; and no liability or responsibility in the individual corporate capacity of Trust Company for USL, Inc. or the Trustor is assumed by nor shall at any time be asserted or enforceable against Trust Company for USL, Inc. or the Trustor or any incorporator or any past, present or future subscriber to the capital stock of Trust Company for USL, Inc. or the Trustor, on account of this Lease or on account of any representation, covenant, undertaking or agreement of Trust Company for USL, Inc. in this Lease contained, either expressed or implied, all such individual corporate liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust and the Trust Estate for satisfaction of the same.

25.02. CONCERNING THE LESSEE. No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorporator, stockholder, director, officer or employee as such, past, present or future, of the Lessee, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of incorporators, stockholders, directors, officers or employees, as such, being forever released as a condition of and as consideration for the execution of this Lease.

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

25.04. EFFECT AND MODIFICATION OF LEASE. This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Equipment and supersedes all other agreements, oral or written, with respect thereto, except the Trust Agreement, the Operative Documents referred to in the Trust Agreement and any other instrument referred to in the Trust Agreement or the Operative Documents. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

25.05. THIRD PARTY BENEFICIARIES. Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Trustor, the Bank, the Lenders, the holders of the Notes issued under the Loan Agreements, the Secured Party and the permitted successors and assigns of a party) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party except as aforesaid.

25.06. BUSINESS DAY. If the Lessee shall be required to make any payment or perform any act on a day which is not a business day, the Lessee may make such payment or perform such act on the next succeeding business day without interest or penalty. "Business day" means any day which is not a Saturday, Sunday or other day on which banking institutions in New York, New York or Chicago, Illinois are authorized to remain closed.

SECTION 26. SUCCESSORS AND ASSIGNS.

This Lease shall be binding upon and shall inure to the benefit of the Lessor and the Lessee and their respective permitted successors and assigns and shall also inure to the benefit of the Trustor and the Bank.

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

[CORPORATE SEAL]

Attest:

Richard A. Coz
Asst. Secretary

TRUST COMPANY FOR USL, INC.,
as Trustee under a Trust Agreement
dated as of February 1, 1975

By Ben Naushardt
Its President

Lessor

[CORPORATE SEAL]

Attest:

Oliver E. Hodges
Assistant Secretary

UNION CARBIDE CORPORATION

By W.S. Gray L
Its Vice President

Lessee

STATE OF Illinois
COUNTY OF Cook } SS

On this 30th day of July, 1975, before me personally appeared Ben Claushardt, to me personally known, who being by me duly sworn, says that he is President of TRUST COMPANY FOR USL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Georgann O. Douglas
Notary Public

MY COMMISSION EXPIRES MAY 14, 1979

My commission expires:

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } SS

On this 17th day of July, 1975, before me personally appeared **W. S. GRAY JR.**, to me personally known, who being by me duly sworn, says that he is Vice President of UNION CARBIDE CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Carol J. Mueller

Notary Public
CAROL J. MUELLER
Notary Public, State of New York
No. 30-4608012
Qualified in Nassau County
Certificate Filed with N. Y. County Clerk
Commission Expires March 30, 1977

My commission expires:

DESCRIPTION OF EQUIPMENT

<u>NUMBER OF ITEMS</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>
RAILROAD TANK CARS		
29	22,000 gallon, insulated, non-coiled (DOT 111A100W4)	RAIX 7015 through RAIX 7043
40	25,000 gallon, insulated, non-coiled (DOT 105A200W)	RAIX 2500 through RAIX 2539
54	20,000 gallon coiled, insulated (DOT 111A100W1)	RAIX 6401 through RAIX 6454
44	20,000 gallon, non-coiled, non- insulated (DOT 111A60ALW1)	RAIX 9077 through RAIX 9120
36	30,000 gallon, non-coiled, non- insulated (DOT 111A100W1)	RAIX 3330 through RAIX 3365
23	20,000 gallon, non-coiled, non- insulated (DOT 111A100W1)	RAIX 6378 through RAIX 6400

SCHEDULE 1
(to Lease of Railroad Equipment)

SCHEDULE OF CASUALTY VALUE
UNION CARBIDE CORPORATION

<u>Periodic Rent Payment Date Number</u>	<u>Casualty Value (Expressed as a percentage of the Total Cost of an Item of Equipment)</u>
Commencement Date for Primary Term	104.980%
1	106.000
2	106.790
3	107.340
4	107.680
5	107.800
6	107.720
7	107.440
8	106.970
9	106.300
10	105.460
11	104.440
12	103.290
13	102.050
14	100.710
15	99.290
16	97.780
17	96.190
18	94.530
19	92.790
20	91.010
21	89.190
22	87.320
23	85.400
24	83.440
25	81.430
26	79.360
27	77.250
28	75.100
29	72.910
30	70.680
31	68.410
32	66.100

SCHEDULE 2
(To Lease of Railroad Equipment)

SCHEDULE OF CASUALTY VALUE

(Continued)

<u>Periodic Rent Payment Date Number</u>	<u>Casualty Value (Expressed as a percentage of the Total Cost of an Item of Equipment)</u>
33	63.740%
34	61.340
35	58.900
36	56.400
37	53.860
38	51.280
39	48.640
40	45.950
41	43.210
42	40.410
43	37.570
44	34.660
45	31.700
46	28.680
47	25.610
48	23.500
49 and thereafter during the Primary Term	22.420

SCHEDULE OF TERMINATION VALUE

UNION CARBIDE CORPORATION

<u>Periodic Rent Payment Date No.</u>	<u>Termination Value (Expressed as a percentage of the Total Cost of an Item of Equipment)</u>
20	88.42%
21	86.48
22	84.48
23	82.43
24	80.33
25	78.17
26	75.95
27	73.68
28	71.37
29	69.00
30	66.59
31	64.13
32	61.62
33	59.06
34	56.44
35	53.77
36	51.04
37	48.26
38	45.41
39	42.50
40	39.53
41	36.50
42	33.40
43	30.23
44	27.00
45	23.69
46	20.31
47	16.85
48	13.31
49	9.70
50 and thereafter during the Primary Term	6.00

SCHEDULE 3
(To Lease of Railroad Equipment)

LEASE SUPPLEMENT NO. _____

(U. C. Trust No. 11)

THIS LEASE SUPPLEMENT NO. _____ dated as of _____, 197
between Trust Company for USL, Inc., as Trustee under U.C. Trust No. 11 (the "Lessor")
and Union Carbide Corporation (the "Lessee"),

WITNESSETH:

1. The Lessor and the Lessee have heretofore entered into a Lease of Railroad Equipment dated as of February 1, 1975 (the "Lease") providing for the execution and delivery of Lease Supplements substantially in the form hereof. The terms defined in the Lease shall have the same meanings when used herein except as the context hereof otherwise requires.

2. The Lessee does hereby certify that it has inspected the Items of Equipment identified in Schedule 1 hereto (the "Items of Equipment") in accordance with Section 1.02 of the Lease, and has accepted delivery of the Items of Equipment, as Lessee under the Lease and on behalf of the Lessor under the Acquisition Agreement. The Lessee does further certify that each Item of Equipment is (as far as can be determined from such inspection) in good order and condition and conforms to the specifications applicable thereto and to all applicable United States Department of Transportation requirements and specifications, if any, and at the time of acceptance of delivery by the Lessee there was plainly, distinctly and conspicuously marked by a stencil printed in contrasting color upon each side of such Item of Equipment the following legend in letters not less than one-half inch in height:

"Leased through United States Leasing International, Inc., as Agent for Trust Company for USL, Inc., Owner Trustee, and subject to a security interest recorded with the Interstate Commerce Commission".

3. The Lessee represents and warrants that the representations and warranties set forth in the Closing Certificate dated July 30, 1975 of the Lessee addressed to the Lessor, the Trustor, the Bank and the Lenders, have been reexamined and are true and correct as if made on and with respect to the date hereof.

4. The Lessor and the Lessee hereby acknowledge and agree that Schedule 1 correctly sets forth the Primary Term of the Lease, the Total Cost, the Interim Rent, the Periodic Rent for Primary Term and the Rent Payment Dates with respect to the Items of Equipment.

The execution of this Lease Supplement will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for any warranties it has made with respect to the Equipment and is without prejudice to any right which the Lessor or the Lessee may have against such Manufacturer or any other person, except as otherwise provided in the Lease.

EXHIBIT A

(To Lease of Railroad Equipment)

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

Dated:

TRUST COMPANY FOR USL, INC.,
as Trustee under U.C. Trust No. 11

By _____
Its _____
Lessor

UNION CARBIDE CORPORATION

By _____
Its _____
Lessee

