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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

between

SUN LIFE ASSURANCE COMPANY OF CANADA

and

CANADIAN NATIONAL RAILWAY COMPANY

Dated as of July 30, 1975

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT dated as of July 30, 1975, between Sun Life Assurance Company of Canada (hereinafter called the "Lessor") and Canadian National Railway Company (hereinafter called the "Lessee").

WHEREAS the Lessor has acquired title to and has ownership of the units of railroad equipment described in Schedule A hereto; and

WHEREAS the Lessee desires to lease all the units of said railroad equipment (hereinafter called the "Units") at the rentals and for the terms and upon the conditions hereinafter provided.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the terms and conditions set forth in the following articles:

1. Delivery and Acceptance of Units. The Lessor has tendered, on the date of execution hereof, all of the Units to the Lessee at points in Canada mutually agreed upon. The Lessee has examined the Units so tendered and hereby accepts delivery of all of such Units and hereby confirms that same are in good operating order, repair, condition and appearance on the date of execution hereof.

2. Rentals. The Lessee agrees to pay the Lessor as rental for each Unit subject to this Lease thirty (30) consecutive semi-annual payments, in arrears, payable on July 30 and January 30 of each year commencing January 30, 1976. Each such payment shall be in an amount equal to \$1,427.31 per Unit for all Units then subject to this lease.

All payments provided for in this Lease to be made to the Lessor shall be paid to the Lessor at, P.O. Box 6075 (A), Montreal, Quebec; H3C 3G5 Attention: Private Placement Section, Investment Department or to such address as from time to time may be designated by the Lessor.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent including, but not limited to, abatement, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use of or destruction of all

or any of the Units from whatsoever cause, the prohibition of or other restriction against use of all or any of the Units by the Lessee or any other person, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of execution hereof and, subject to the provisions of articles 6,9 and 12 hereof, shall terminate on July 30, 1990.

4. Identification Marks. The Lessee will cause such Unit to be kept numbered with the identifying number set forth in Schedule A hereto and will within two (2) years mark each unit and will thereafter keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, in letters not less than three-eighths inch in height, the following words:

"OWNED BY SUN LIFE ASSURANCE COMPANY OF CANADA"

or other appropriate words designated by the Lessor, with appropriate changes therein and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Unit and the rights of the Lessor under this Lease. The Lessee will not change or permit to be changed the identifying number of any Unit except in accordance with a statement of new identifying 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 will have been filed, recorded or deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or any permitted sublessee on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any Canadian federal or provincial taxes (other than any Canadian local, provincial or federal income taxes payable by the Lessor in consequence

of the receipt of payments provided herein and other than the aggregate of all local, provincial or city income taxes or franchise taxes measured by net income based on such receipts, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, duties or license fees, and any charges, fines or penalties in connection therewith (all such expenses, taxes, assessments, duties, license fees, charges, fines and penalties being hereinafter called "Impositions"), hereafter levied or imposed upon or in connection with or measured by, this Lease or any sale, rental, use, payment, shipment, import, export, delivery or transfer of title under the terms hereof, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. At the option of the Lessor, such payment of Impositions by the Lessee shall be made directly to the appropriate taxing authority. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon such Unit; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor hereunder. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessee shall not be obligated to reimburse the Lessor for any Imposition so paid unless, (a) prior to such payment, the Lessor shall have obtained the opinion of its counsel that the Lessor was liable to pay such Imposition, or (b) the Lessee shall have approved of such payment.

In the event any reports with respect to Impositions are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor in such Units or notify the Lessor of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Impositions pursuant to this article 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

6. Payment for Casualty Occurrences. In the event that any Unit shall be or become worn out, lost, stolen, destroyed, irreparably damaged or damaged beyond economic repair, from any cause whatsoever or taken or requisitioned by condemnation, expropriation or otherwise (such occurrences being hereinafter called "Casualty Occurrences") during the term of this Lease,

the Lessee shall promptly after it shall have determined that such Unit has suffered a Casualty Occurrence, fully inform the Lessor in regard thereto. The Lessee shall (a) within the then current taxation year of the Lessor, either (i) replace such Unit with another unit of railway equipment of the same or similar type and with a value not less than the Fair Market Value (as defined in article 12 hereof) of such Unit immediately prior to its suffering the Casualty Occurrence, or (ii) with the prior written consent of the Lessor, replace such Unit with other railway equipment having a value not less than the Fair Market Value of such Unit immediately prior to its suffering the Casualty Occurrence which is acceptable to the Lessor, and thereupon such other unit or such other railway equipment shall be the property of the Lessor and become part of the Units hereunder and be subject to all the terms and provisions hereof as if originally described in Schedule A (and if required by the Lessor appropriate conveyance of title thereto shall be effected) and in such event no rental payable hereunder with respect to such Unit as has suffered a Casualty Occurrence or such other unit or such other railway equipment replacing such Unit shall abate, or (b) continue to pay rent in respect of such Unit and, upon 15 days prior written notice to the Lessor pay, on any rental payment date which is more than 15 days after such Casualty Occurrence and not later than the rental payment date next following the end of the Lessor's current taxation year, to the Lessor an amount equal to the accrued unpaid rental for such Unit to the date of such payment plus a sum equal to the Casualty Value, as hereinafter defined, of such Unit on the applicable rental payment date. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue and the term of this lease as to such Unit shall terminate. The Lessor shall, upon request of the Lessee, after payment by the Lessee of a sum equal to the Casualty Value of any such Unit, deliver to or upon the order of the Lessee a bill of sale (without warranties) for such Unit executed by the Lessor and such other or others as may be required in order to transfer to the Lessee clear title to such Unit free and clear of all liens, security interests and other encumbrances.

The Casualty Value of each Unit as of any rental payment date shall be that percentage of the Unit Cost set out in Schedule A applicable to such Unit set forth in the schedule set out below opposite such rental payment date:

<u>Rental Payment Date</u>	<u>Percentage</u>	<u>Rental Payment Date</u>	<u>Percentage</u>
January 30, 1976	106.8950 %	July 30, 1983	73.2872 %
July 30, 1976	106.0190	January 30, 1984	69.7494
January 30, 1977	104.8810	July 30, 1984	66.0671
July 30, 1977	103.5410	January 30, 1985	62.2368
January 30, 1978	101.9730	July 30, 1985	58.2607
July 30, 1978	100.2220	January 30, 1986	54.1356
January 30, 1979	98.2682	July 30, 1986	49.8619
July 30, 1979	96.1452	January 30, 1987	45.4365
January 30, 1980	93.8393	July 30, 1987	40.8582
July 30, 1980	91.3744	January 30, 1988	36.1240
January 30, 1981	88.7408	July 30, 1988	31.2317
July 30, 1981	85.9554	January 30, 1989	26.1778
January 30, 1982	83.0112	July 30, 1989	20.9593
July 30, 1982	79.9198	January 30, 1990	15.5726
January 30, 1983	76.6759	July 30, 1990	10.0000

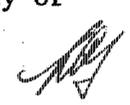
For an extension of the lease pursuant to article 12, the Casualty Value on January 30, 1991 shall be equal to 9.7% of the Unit Cost set out in Schedule A, such Casualty Value reducing by 0.3% of such Unit Cost for each semi-annual rental payment date thereafter.

Except as hereinabove in this article 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder. The Lessor represents that its taxation year ends on December 31 and will forthwith notify the Lessee of any change in its taxation year.

7. Annual Reports. On or before April 1 in each year commencing with the year 1976, the Lessee will cause to be furnished to the Lessor in such number of counterparts or copies as may reasonably be requested an accurate statement signed by the Lessee's authorized representative, as of the preceding January 1, (a) showing the amount, description and numbers of the Units then leased hereunder, the amount, description and number of all Units that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition and state of repair of the Units as the Lessor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by article 4 hereof shall have been preserved or replaced. The Lessor shall have the right at its sole cost and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor the existence and proper maintenance thereof during the continuance of this Lease.

8. Disclaimer of Warranties; Lessor's Representation and Warranties; Compliance with Laws and Rules; Maintenance; Indemnification.

The Lessor makes no warranty or representation, either express or implied, as to the design or compliance with specifications or condition of, or as to the quality of the material, equipment or workmanship in, or as to the suitability, adequacy, operation, use or performance of, the Units and the Lessor makes no warranty of merchantability or fitness of the Units for any particular purpose, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor, provided that permission is first obtained from the Lessor in each case (which permission shall not be unreasonably withheld) hereby appoints and constitutes the Lessee 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/or the Lessee, as their interests may appear, and at the expense of the Lessee whatever claims and rights the Lessor may have. The Lessor shall have no responsibility or liability under this Lease to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith;



(ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipatory profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. Lessee's acceptance of delivery of the Units shall be conclusive evidence as between the Lessee and the Lessor that all Units are in all the foregoing respects satisfactory to the Lessee and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessor represents and warrants as follows:

(i) At the time of delivery of each Unit under this Lease, the Lessor shall have such title to such Unit as is derived from the seller of such Unit, unimpaired by any act or omission of the Lessor which will in any manner prevent the performance of this Lease in accordance with its terms and, in addition, such Unit shall be free and clear of all claims, liens and encumbrances, which may result from claims against the Lessor not arising out of the ownership thereof which will prevent the performance of this Lease in accordance with its terms; and

(ii) So long as the Lessee shall not be in default under this Lease, the Lessor shall not do (or suffer to be done by any person claiming through or against the Lessor and not against the Lessee or any sub-lessee) any act which interferes with any and all rights of the Lessee to peaceably and quietly hold, possess and use the Units in accordance with the terms of this Lease.

The Lessor covenants that any sale, assignment, transfer, mortgage or other disposition which it may make of this Lease or of any Unit, whether prior or subsequent to delivery to the Lessee shall be expressly subject to the terms and provisions of this Lease.

The Lessee agrees, for the benefit of the Lessor, to comply in all respects with all laws of the jurisdictions in which the Units may be operated, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the Canadian Transport Commission and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units and the Lessee shall and does hereby indemnify the Lessor and agrees to hold the Lessor harmless from and against any and all liability that may arise from any infringement or violation of any such laws or rules by the Lessor or the Lessee, or their employees, or any other person. In the event that such laws or rules require alteration of the Units or in case any equipment or appliance on any such Unit shall be required to be changed or replaced, or in any case any additional or other equipment or appliance is required to be installed on such Unit in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, changes, additions, and replacements at its own expense;



and the Lessee agrees at its own expense to use, maintain and operate such Unit in full compliance with such laws, regulations, requirements and rules so long as it is subject to this Lease; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the property rights of the Lessor hereunder.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good order and repair, reasonable wear and tear excepted.

Any and all additions to any Unit and any and all parts installed on or replacements made to any Unit shall be considered accessions to such Unit (except such as can be removed without damage to, and without impairing the originally intended function or use of, such Unit, including without limitation, racks or partitions (hereinafter called Temporary Alterations)), and at the cost and expense of the Lessee, full ownership thereof free of any lien, charge, security interest or encumbrance shall immediately be vested in the Lessor as its interest appears in the Unit itself. Upon termination of this Lease, the Lessee may, at its option, remove the Temporary Alterations from the Units and will restore the Units to satisfactory operating condition and, subject to the right not to remove Temporary Alterations to their original physical condition at the time of delivery thereof to the Lessee hereunder, reasonable wear and tear excepted.

The Lessee agrees to indemnify and save harmless the Lessor against any charge or claim made against the Lessor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, patent liabilities, penalties and interest) which the Lessor may incur in any manner by reason of entering into or of the performance of this Lease or by reason of the ownership of any Unit, or which may arise in any manner out of or as the result of the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit under this Lease. The Lessee further agrees to indemnify and save harmless the Lessor against any charge, claim, expense, loss or liability on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury to any person; provided, however, that the Lessee shall not be required to indemnify the Lessor under this paragraph for negligence on the part of the Lessor. The indemnities arising under this paragraph shall survive payment of all other obligations under this Lease or the termination of this Lease. Anything herein to the contrary notwithstanding, the Lessee shall not be obligated to indemnify under this paragraph in respect of any charge, claim, expense, loss or liability attributable to a Unit which, and to an event occurring after such Unit, shall have been assembled,



delivered, stored and transported to the Lessor pursuant to articles 10 or 13 hereof or after this Lease with respect to such Unit has otherwise terminated; and provided further, that such charge, claim, expense, loss or liability does not arise as a result of mechanical defects of such Unit which existed at the time such Unit was so returned or this Lease with respect to such Unit terminated.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports to be filed by the Lessor with any federal, provincial, state or other regulatory authority by reason of the interest of the Lessor in the Units or the leasing thereof to the Lessee.

9. Default. If during the continuance of this Lease, one or more of the following events (hereinafter sometimes called Events of Default) shall occur:

A. default shall be made in the payment of any part of the rental provided in article 2 hereof and such default shall continue for 10 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or sublease of any of the Units;

C. 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 and such default shall continue for 25 days after written notice from the Lessor specifying the default and demanding that the same be remedied;

D. any proceedings shall be commenced by or against the Lessee by way of a scheme of arrangement under the Railway Act of Canada R.S.C. 1970, c.R-2 or for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long



as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or judgment or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceeding shall have been commenced, whichever shall be earlier;

then, in any such case, the Lessor, at its option may:

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a 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 (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such 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) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Unit, which represents the excess of (x) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (y) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the use of the Unit during such period, such present value to be computed in each case on a basis of a 7% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, (ii) any damages and expenses, including reasonable solicitors' fees, 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 the payment of rental, (iii) an amount which, after deduction of all taxes



required to be paid by the Lessor in respect of the receipt thereof under the laws of Canada or any province thereof, shall be equal to such sum as, in the reasonable opinion of the Lessor, will cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the deductions, credits and other benefits as are provided by the Income Tax Act (Canada) and Regulations thereunder, all as amended to the date hereof, including without limitation the right to claim capital cost allowance with respect to the Units computed at a rate of not less than 20% per annum on a declining balance against all its income from whatever source, which deductions, credits and other benefits were lost, not claimed, not available for claim, disallowed or recaptured in respect of any Unit as a result of the termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessor or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default. Notwithstanding anything to the contrary contained in this clause (b), it is understood and agreed that the Lessee shall receive a credit in respect of the amounts payable pursuant to sub-clause (i) of this clause (b) equal to any net proceeds received by the Lessor upon the sale or the releasing of the Units to the extent that such net proceeds that are actually received exceed the allowance for present value as therein determined.

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 the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.



The failure of the Lessor to exercise the rights granted it hereunder upon the 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.

10. Return of Units Upon Default. If this Lease shall terminate pursuant to article 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

A. forthwith place such Units upon such storage tracks of the Lessee as the Lessor reasonably may designate,

B. permit the Lessor to store such Units on such tracks at the risk of the Lessee until the earlier of the date all such Units have been sold, leased or otherwise disposed of by the Lessor and the 180 th day from the date the Lessee shall have placed the Units on such storage tracks, and

C. transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court having jurisdiction in the premises the Lessor shall be entitled to a court order, judgment or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any 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 Unit to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this article 10, the Lessee hereby irrevocably appoints the Lessor as its agent and attorney, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Unit.



11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor to any company incorporated and resident in Canada or any province or territory thereof without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including but not limited to the rights under articles 2,5,6,9 and 15) shall inure to the benefit of the Lessor's assigns. Whenever the Lessor is referred to in this Lease, it shall apply and refer to each assignee of the Lessor.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them (except to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroad of the Lessee may subject the Lessee's leasehold interest to the lien thereof). In addition, the Lessee, at its own expense, will promptly cause to be duly discharged any lien, charge, security interest or other encumbrance (other than an encumbrance resulting from claims against the Lessor not related to the ownership of the Units or to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroad of the Lessee may subject the Lessee's leasehold interest to the lien thereof) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interests of the Lessor or the Lessee therein. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph hereof.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliated or subsidiary corporation upon its or their lines of railroad or upon lines of railroad over which the Lessee or such other corporation has trackage or other operating rights or over which railroad equipment of the Lessee or any such other corporation is regularly operated pursuant to contract, and also to permit the use of the Units upon other railroads in the usual interchange of traffic (if such interchange is customary at the time), but only upon and subject to all the terms and conditions of this Lease and without in any way relieving the Lessee from any obligation or liability hereunder.



Nothing in this article 11 shall be deemed to restrict the right of the Lessee (i) to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of Canada (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become amalgamated, merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety; or (ii) to sublease any Unit to such subsidiary or affiliated corporations of the Lessee as are at the time such sublease is executed domestic railroad corporations incorporated under the laws of Canada or any province thereof or any state of the United States of America or the District of Columbia; provided, however, that the rights of such sublessee are made expressly subordinate to the rights and remedies of the Lessor under this Lease. No such sublease shall relieve the Lessee of any liability or obligation hereunder which shall be and remain that of a principal and not a surety.

12. Purchase and Renewal Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than six months prior to the expiration of the original term of this Lease or six months prior to the expiration of any extended term of this Lease elect to purchase all or any of the Units then covered by this Lease at the end of the original term of this Lease or at the end of any extended term of this Lease for a purchase price equal to the "Fair Market Value" of such units as of the end of such term. If at the end of the original term of this Lease or at the end of the first extended term of this Lease the Lessee shall elect to purchase less than all of the Units then covered by this Lease the Units purchased by the Lessee shall cease to be Units then covered by this Lease and such purchase shall not affect the Lessee's right as to the balance of the Units covered by this Lease to extend the term of this Lease as aforesaid.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than six months prior to the expiration of the original term of this Lease elect to extend the term of this Lease in respect to all, but not fewer than all, Units not purchased pursuant to the immediately preceding paragraph and then covered by this Lease, for a five year period commencing on the scheduled expiration of the original term of this Lease, at a rental payable in ten (10) semi-annual payments payable on July 30 and January 30 of each year, each such payment to be in an amount equal to \$548.59 per Unit subject to such extended term and the Lessee may, by written notice delivered to the Lessor not less than six months prior to the expiration of the term to which this Lease may have been extended by the exercise by the Lessee of the right of extension granted above elect to extend the term of this Lease in respect to all, but not fewer than all, Units not purchased pursuant to the immediately preceding paragraph and then covered by this Lease for a second and



final five year period commencing on the scheduled expiration of the first renewal term of this Lease, at a rental payable in ten (10) semi-annual payments payable on July 30 and January 30 of each year, each such payment to be in an amount equal to \$219.44 per Unit subject to such extended term.

Fair Market 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 (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

If on or before four months prior to the expiration of the original term hereof, or any extended term, as the case may be, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the relevant Units, such value shall be determined in accordance with the foregoing definitions by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or, failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fee of the Appraiser shall be borne equally by the Lessor and the Lessee. In the event the Lessee elects to purchase the Units, upon payment of the purchase price, the Lessor shall upon request of the Lessee deliver to or upon the order of the Lessee a bill of sale (without warranties) for such Units executed by the Lessor and such other or others as may be required in order to transfer to the Lessee title to such Unit free and clear of all liens, security interests and other encumbrances.

13. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or any extended term of this Lease, the Lessee will (unless the Units are sold to the Lessee or shall have suffered a Casualty Occurrence), at its own cost and expense, at the request of the Lessor, deliver possession of any Units to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90 day period, to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as

directed by the Lessor upon not less than 30 days' written notice to the Lessee; the movement and storage of the Units to be at the expense and risk of the Lessee. During 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 Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a judgement, order or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. If the Lessor shall elect to abandon any Unit as herewith provided, it may deliver written notice to such effect to the Lessee and the Lessee shall thereupon assume and hold the Lessor harmless from all liability arising in respect of any responsibility of ownership thereof, from and after receipt of such notice. Each Unit returned to Lessor pursuant to this article shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted and (ii) meet the standards then in effect under the interchange rules of the Association of American Railroads if applicable and the Canadian Transport Commission.

Prior to the expiry of the 90 day period referred to above, the Lessor shall use its best efforts and shall endeavour to sell and dispose of the Units so stored and for that purpose shall advertise such sale or ask for tender therefor by means of publication of notices in railway trade magazines, newspapers or such other media or by such other means as Lessor shall see fit. In the event that the Lessor, after such publication or after having exhausted such other means as it sees fit, is unable to procure a purchaser for such Units, then the Lessor may by written notice to the Lessee prior to the expiry of the said 90 day period abandon all or any of the Units being stored on the storage tracks of the Lessee and thereupon the Lessee shall assume full responsibility and liability for such Unit or Units and the Lessor shall, upon the request of the Lessee, deliver to or upon the order of the Lessee a bill of sale (without warranties) for such Units executed by the Lessor and such other or others as may be required in order to transfer to the Lessee title to such Units free and clear of all liens, security interests and other encumbrances.



14. Opinions of Counsel for the Lessee and the Lessor. On the execution hereof, as a condition to the obligation of the Lessor to continue thereafter to lease the Units to the Lessee hereunder, the Lessee will deliver to the Lessor a copy, addressed to the Lessor, in scope and substance satisfactory to the Lessor and its counsel of the written opinion of counsel for the Lessee to the effect that:

A. the Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of Canada, with adequate corporate power to enter into this Lease;

B. this Lease has been duly authorized, executed and delivered by the Lessee and constitutes a legal and valid agreement binding upon the Lessee and enforceable in accordance with its terms;

C. upon the due deposit of this Lease in the office of the Registrar General of Canada and upon the giving of notice of such deposit in The Canada Gazette in accordance with Section 86 of the Railway Act R.S.C. 1970, c.R-2, no other act, filing, recording (or giving of notice) in respect of this Lease is necessary in order to protect the interests hereunder of the Lessor in and to the Units in Canada or any Province or Territory thereof against any and all subsequent purchasers or mortgagees from the Lessee and/or from creditors of the Lessee;

D. no approval is required from any public regulatory body with respect to the entering into or performance of this Lease by the Lessee, or if any such approval is required, permit has been properly obtained; and

E. the entering into and performance of this Lease will not result in any breach of, or constitute a default under any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee is a party or by which it may be bound or contravene any provision of law, statute, rule or regulation to which the Lessee is subject or any judgement, decree, franchise, order or permit applicable to the Lessee and

The Lessee also agrees to furnish to the Lessor a copy, certified by the Secretary or an Assistant Secretary of the Lessee, of resolutions of the Board of Directors of the Lessee authorizing the Lessee to enter into this Lease.

On the date of execution hereof, the Lessor will deliver to the Lessee a copy addressed to the Lessee, in scope and substance satisfactory to the Lessee and its counsel of the written opinion of counsel for the Lessor to the effect that:

A. the Lessor is a corporation legally incorporated and validly existing, in good standing, under the laws of Canada, with adequate corporate power to enter into this Lease;



B. this Lease has been duly authorized, executed and delivered by the Lessor and constitutes a legal and valid agreement binding upon the Lessor and enforceable in accordance with its terms; and

C. the entering into and performance of this Lease will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessor is a party or by which it may be bound or contravene any provision of law, statute, rule or regulation to which the Lessor is subject or any judgement, decree, franchise, order or permit applicable to the Lessor.

In giving the opinions required by this article 14, counsel may qualify their opinions relating to the enforceability of agreements in accordance with their terms as being subject to any applicable bankruptcy, re-organization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally from time to time in effect.

15. Income Taxes. The Lessor, as the owner of each Unit, shall be entitled to capital cost allowance with respect to the Units computed at a rate of not less than 20% per annum on a declining balance against all its income from whatever source as provided by the Income Tax Act (Canada), the Regulations thereunder, corporate income tax statutes of any Province or territory of Canada, and the regulations thereunder, all as amended to the date hereof (hereinafter collectively referred to as the Act).

If, due to any amendment, change or repeal of the Act, in whole or in part, occurring within the first eight years of the term hereof or occurring thereafter and applicable to 1975 and subsequent taxation years up to and including the 1982 taxation year of the Lessor (but other than for the reasons set forth below) the Lessor shall lose or shall not have the right to claim or shall suffer a disallowance of all or any portion of such capital cost allowance with respect to any Unit, the rental rate applicable to such Unit set forth in article 2 of this Lease shall, on and after the next succeeding rental payment date after written notice to the Lessee by the Lessor that such capital cost allowance has not been claimed, or if claimed and then disallowed on and after the next succeeding rental date after payment of the tax attributable thereto, be increased by such amount for such Unit which, in the reasonable opinion of the Lessor, will cause the Lessor's net return in respect of such Unit under this Lease to equal the net return that would have been available if the Lessor had been entitled to utilization of all or such portion of such capital cost allowance which was not claimed or was disallowed and the Lessee shall forthwith pay to the Lessor the amount of any interest and/or penalty, which may be assessed under the Act against the Lessor attributable to the loss of all or any



portion of such capital cost allowance; provided, however, that such rental rate shall not be so increased if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or if there shall have been disallowed with respect to the Lessor, all or any portion of such capital cost allowance with respect to such Unit as a direct result of the occurrence of any of the following events:

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under article 6 hereof;

(ii) transfer by the Lessor of legal title to such Unit, the disposition by the Lessor of any interest in such Unit or the reduction by the Lessor of its interest in the rentals from such Unit under the Lease, unless, in each case, an Event of Default shall have occurred and be continuing;

(iii) the failure of the Lessor to claim such capital cost allowance in its income tax return for the appropriate year or the failure of the Lessor to follow proper procedure in claiming such capital cost allowance; or

(iv) the failure of the Lessor to have sufficient income to benefit from the deduction of such capital cost allowance.

The Lessor agrees that if, in the opinion of its or the Lessee's independent tax counsel (herein referred to as Counsel), a bona fide claim to all or a portion of such capital cost allowance on any Unit, exists in respect of which the Lessee is required to pay increased rental and interest and/or penalty as aforesaid to the Lessor as above provided, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to sustain such claim. The Lessor may take such action prior to making payment of the amounts claimed pursuant to a notice of disallowance or may make such payment and then sue for a refund. In the latter event, if the final determination shall be adverse to the Lessor, the Lessee shall pay to the Lessor interest on the amount of the tax paid attributable to such capital cost allowance disallowed, computed at the rate of 9% per annum from the date of payment of such tax to the date the Lessee shall reimburse the Lessor for such tax in accordance with the provisions of this article 15.

The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested.



The Lessee's agreement to pay any sums which may become payable pursuant to this article 15 shall survive the expiration or other termination of this Lease.

16. Mileage Allowance; Subrogation. Provided the Lessee is not in default hereunder, the Lessee shall be entitled to (i) all mileage allowances and other moneys payable by reason of the use of the Units, and any such mileage allowances or other moneys received by the Lessor shall be forthwith remitted to the Lessee, and (ii) the proceeds of any claim or right of the Lessor or the Lessee against third persons for injury, damage or loss with respect to any Unit or the use or operation thereof, including settlements pursuant to the rules of the Association of American Railroads, and the Lessee shall be subrogated to the extent of the Lessee's interest to all the Lessor's rights of recovery therefor against any other person, firm or corporation. The Lessor hereby authorizes the Lessee to make settlement of, receive payment and receipt for any and all such claims on behalf of the Lessor, and the Lessor agrees to execute and deliver from time to time such instruments and do such other acts and things as may be necessary or appropriate more fully to evidence the Lessee's authority and/or to vest in the Lessee such proceeds to the extent of the Lessee's interest therein or to effect such subrogation; and in the event of any loss, damage or destruction in respect of which the Lessee is entitled to proceeds or subrogation as aforesaid, the Lessor shall refrain from doing any act or executing any instrument which would prejudice the right of the Lessee to such proceeds or to such subrogation.

17. Additional Covenant of the Lessee. The Lessee covenants and agrees from time to time at its expense to do all acts and execute all such instruments of further assurance as it shall be reasonably requested by the Lessor to do or execute for the purpose of fully carrying out and effectuating this Lease and the intent hereof.

18. Recording; Expenses. At the option of the Lessor, the Lessor may, at the expense of the Lessor, cause this Lease (a) to be duly deposited in the office of the Registrar General of Canada and will cause the required notice of such deposit forthwith thereafter to be published in The Canada Gazette in accordance with Section 86 of the Railway Act R.S.C. 1970, c.R-2 and (b) to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Inter-state Commerce Act of the United States of America.

The Lessee will, from time to time and at its expense, do and perform any act and will execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to the satisfaction of the Lessor and its counsel, of the Lessor's interests hereunder in the Units, or for the purpose of carrying out the intention of this Lease. The Lessee will promptly furnish to the Lessor evidence of such execution, acknowledgement and delivery.



The Lessor will pay the reasonable costs and expenses involved in the preparation and printing of this Lease. The Lessor and the Lessee will each, respectively, bear the fees and disbursements of any counsel which it may respectively retain.

19. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 10% per annum of the amount of the overdue rentals for the period of time during which they are overdue.

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 a Canadian Post Box, first-class postage prepaid, addressed as follows:

if to the Lessor, at P.O. Box 6075 (A), Montreal, Quebec H3C 3G5
Attention: Private Placement Section, Investment Department;

if to the Lessee, at P.O. Box 8108, Montreal, Quebec, Canada H3C 3N3
attention of the Treasurer;

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

21. Severability; Effect and Modification of Lease. 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 provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the Units and supersedes all other agreements, oral or written, with respect to the Units. 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 officers of the parties hereto.

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

Although this Lease is dated as of July 30, 1975, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the dates stated in the acknowledgements hereto annexed.

23. Law Governing. This Lease shall be construed in accordance with the laws of Quebec.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused these presents to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed, as of the date first above written.

SUN LIFE ASSURANCE COMPANY OF CANADA

[Signature]
by for PRESIDENT

[Signature]
..... for SECRETARY

CANADIAN NATIONAL RAILWAY COMPANY

[Signature]
by
Vice-President

[Signature]
.....
Assistant Secretary

Approved
as to form only
[Signature]
Attorney

SCHEDULE A

<u>Type and Specifications</u>	<u>Quantity</u>	<u>Road Numbers (Inclusive)</u>	<u>Unit Cost</u>	<u>Aggregate Cost of all Units</u>
100-ton Gondola Cars	215	CN 137561 - CN 137660 CN 137662 - CN 137672 CN 137702 and CN 137704 - CN 137806	\$23,249.40	\$4,998,621

PROVINCE OF QUEBEC
CITY OF MONTREAL

On this *29th* day of *July*, 1975, before me personally appeared *R.T.M. ALLAN*, to me personally known, who, being by me duly sworn, says that he is *ASSOCIATE TREASURER* of SUN LIFE ASSURANCE COMPANY OF CANADA that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and 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.

[Signature]
.....
Notary Public

My Commission is for life.

PROVINCE OF QUEBEC
CITY OF MONTREAL

On this *3rd* day of *July*, 1975, before me personally appeared *E. J. Denyar*, to me personally known, who, being by me duly sworn, says that he is a *Vice-President* of CANADIAN NATIONAL RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and 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.

[Signature]
.....
Commissioner of Oaths

HÉLÈNE GARNEAU
COMMISSAIRE A L'ASSERMENTATION
DISTRICT DE MONTREAL

My Commission is for life.