

Interstate Commerce Commission  
Washington, D. C.

7-097A057  
Date APR 7 1977  
Fee \$ 50  
ICC Washington, D. C.

RECORDATION NO. 8777 Filed & Recorded

APR 7 1977 - 11 05 AM

Gentlemen:

INTERSTATE COMMERCE COMMISSION

Enclosed for recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, are the original and 16 counterparts of a Lease of Railroad Equipment dated as of December 15, 1976.

A general description of the railroad rolling stock covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessor: Continental Illinois National Bank  
and Trust Company of Chicago,  
as Trustee under U. C. Trust No. 13  
231 South LaSalle Street  
Chicago, Illinois 60690

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

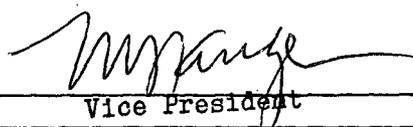
The undersigned is the Lessor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and 14 copies of the Lease of Railroad Equipment to Ronald E. Roden, Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

CONTINENTAL ILLINOIS NATIONAL BANK  
AND TRUST COMPANY OF CHICAGO,  
as Trustee under U. C. Trust No. 13

By   
Its Vice President

LESSOR AS AFORESAID

Enclosures

*Charles E. Roden - CT. Roden*

RECEIVED  
APR 7 10 56 AM '77  
I.C.C.  
FEE OPERATION BR.

## DESCRIPTION OF EQUIPMENT

<u>Number of Units</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>
71	5,250 cubic feet Railroad Covered Hopper Cars	RAIX 60804-60874
72	5,270 cubic feet Railroad Covered Hopper Cars	RAIX 60875-60946
107	85' Flat Cars for Hopper Van Box and Van Box Container Service	RAIX 100-206

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

4/7/77

OFFICE OF THE SECRETARY

Ronald E. Roden  
Chapman & Cutler  
111 West Monroe St.  
Chicago, Illinois 60603

Dear

**Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on **4/7/77** at **11:05am** and assigned recordation number(s) **8777**

Sincerely yours,

  
Robert L. Oswald  
Secretary

Enclosure(s)

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RECORDATION NO. 8777 Filed & Recorded

APR 7 1977 - 11 05 AM

INTERSTATE COMMERCE COMMISSION

## LEASE OF RAILROAD EQUIPMENT

Dated as of December 15, 1976

Between

CONTINENTAL ILLINOIS NATIONAL BANK AND  
TRUST COMPANY OF CHICAGO

As Trustee Under  
U.C. Trust No. 13

*Lessor*

And

UNION CARBIDE CORPORATION

*Lessee*

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EXHIBIT A— Lease Supplement  
EXHIBIT B— Certificate of Acceptance

## LEASE OF RAILROAD EQUIPMENT

RE: Union Carbide Corporation

(U.C. Trust No. 13)

**THIS LEASE OF RAILROAD EQUIPMENT**, dated as of December 15, 1976, between CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Trustee under the Trust Agreement hereinafter referred to, its permitted successors and assigns (the "*Lessor*"), and UNION CARBIDE CORPORATION, a New York corporation, its permitted successors and assigns (the "*Lessee*");

WHEREAS, the following terms shall have the meanings specified below for all purposes of this Lease:

"*Acceptance Date*" shall mean a date on which a Unit of Equipment is simultaneously delivered and accepted under and in accordance with the terms of a Purchase Order and this Lease.

"*Additional Rent*" shall mean all amounts payable by the Lessee in accordance with Section 2.01(e) of this Lease.

"*Bank*" shall mean Manufacturers Hanover Trust Company, a New York banking corporation and, as permitted under the applicable Operative Agreements, its successors and assigns.

"*Bank Basis*" shall mean the method of computing accrued interest or daily rent for any period on the basis of a 360-day year and actual days elapsed.

"*Basic Rent*" shall mean Interim Rent, Periodic Rent, and any payment of Casualty Value and Termination Value pursuant to Section 11 of this Lease.

"*Bond Basis*" shall mean the method of computing accrued interest or daily rent for any period on the basis of a 360-day year consisting of twelve 30-day months.

"*Business Day*" shall mean any day which is not a Saturday, Sunday or other day on which banking institutions in Connecticut or New York or Illinois are authorized to remain closed.

"*Casualty Occurrence*" shall mean any event specified in Section 11.01 of this Lease.

"*Casualty Value*" shall mean an amount determined in accordance with Section 11.06 or 11.07 of this Lease, as applicable.

"*Closing Date*" shall have the meaning set forth in the Participation Agreement.

"*Code*" shall mean the Internal Revenue Code of 1954, as amended.

"*Commitment of the Interim Lender*" shall have the meaning set forth in the Participation Agreement.

"*Cutoff Date*" shall mean June 30, 1978.

"*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 both, had been satisfied.

"*Equipment*" shall mean the railroad covered hopper cars and railroad flat cars described in Schedule 1 to this Lease.

*“Event of Default”* shall mean any of the events set forth in Section 14 of this Lease.

*“Group 1 Equipment”* or *“Group 1 Units of Equipment”* shall mean Units of Equipment having an Acceptance Date occurring on or prior to June 30, 1977.

*“Group 2 Equipment”* or *“Group 2 Units of Equipment”* shall mean Units of Equipment having an Acceptance Date occurring after June 30, 1977 and on or prior to December 31, 1977.

*“Group 3 Equipment”* or *“Group 3 Units of Equipment”* shall mean Units of Equipment having an Acceptance Date occurring after December 31, 1977 and on or prior to June 30, 1978.

*“Indemnified Person”* shall mean the Lessor, the Trustor, the Bank, the Secured Party and the Note Purchasers and their respective agents and servants and, to the extent permitted under the applicable Operative Agreements, their respective successors and assigns.

*“Interim Rent”* shall mean an amount determined in accordance with Section 2.01(a) of this Lease.

*“Interim Term”* shall have the meaning set forth in Section 3 of this Lease.

*“Lease”* shall mean this Lease as the same may from time to time be modified, amended or supplemented.

*“Lease Supplement”* shall mean a supplement to this Lease substantially in the form of Exhibit A to this Lease.

*“Manufacturer”* shall mean the builder of a Unit of Equipment.

*“MHT Rate”* shall have the meaning set forth in the Participation Agreement.

*“Note Purchaser”* shall mean one of the Note Purchasers listed in the Participation Agreement and, as permitted under the applicable Operative Agreements, its successors and assigns.

*“Operative Agreements”* shall mean the Participation Agreement, the Interim Note referred to in the Participation Agreement, the Secured Notes, this Lease, the Charter, the Trust Agreement, the Mortgage, the Purchase Order Assignment and the Security Agreement.

*“Participation Agreement”* shall mean that certain participation agreement dated as of December 15, 1976, among the Trustor, the Lessor, the Lessee, the Bank, the Secured Party and the Note Purchasers and as the same may from time to time be modified, amended or supplemented.

*“Payment Date”* shall mean a date defined in Section 2.02 of this Lease.

*“Per Diem Factor”* shall have the meaning set forth in the Participation Agreement.

*“Periodic Rent”* shall mean the amounts payable by the Lessee during the Second Interim Term, the Primary Term and Renewal Terms, if any, with respect to each Unit of Equipment pursuant to paragraphs (b), (c) and (d) of Section 2.01 of this Lease.

*“Primary Term”* shall have the meaning set forth in Section 3 of this Lease.

*“Purchase Order”* shall mean each contract pursuant to which a Manufacturer has agreed to construct a Unit of Equipment and as the same may from time to time be modified, amended or supplemented.

*"Purchase Order Assignment"* shall mean the purchase order assignment dated as of December 15, 1976, between the Lessee and the Lessor and as the same may from time to time be modified, amended or supplemented.

*"Renewal Term"* shall have the meaning set forth in Section 3 of this Lease.

*"Rent"* shall mean Basic Rent and Supplemental Rent collectively.

*"Second Interim Term"* shall have the meaning set forth in Section 3 of this Lease.

*"Secured Notes"* shall have the meaning set forth in the Participation Agreement.

*"Secured Party"* shall mean Harris Trust and Savings Bank, as Trustee under the Security Agreement and, to the extent permitted under the applicable Operative Agreements, its successors and assigns.

*"Security Agreement"* shall mean that certain Security Agreement and Indenture of Trust dated as of December 15, 1976 between the Secured Party and the Lessor and as the same may from time to time be modified, amended or supplemented.

*"Settlement Date"* shall have the meaning set forth in the Participation Agreement.

*"Supplemental Rent"* shall mean any and all amounts (including Additional Rent) other than Basic Rent which are payable hereunder by the Lessee to the Lessor, the Bank, the Secured Party, the Note Purchasers or the Trustor.

*"Termination Value"* shall mean an amount determined in accordance with Section 11.08 of this Lease.

*"Total Cost"* shall mean as to each Unit of Equipment the sum of (i) the aggregate amount of the Manufacturer's invoices with respect to such Unit 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 Unit of Equipment paid or payable by the Lessee to the Manufacturer and reimbursed or reimbursable (including, without limitation, interest, if any, on funds borrowed to make progress payments) 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, prior to the Acceptance Date relating to such Unit of Equipment, (vi) in the case of a railroad covered hopper car, the cost of having it lined, and (vii) any and all other costs and expenses directly relating to the manufacture of such Unit of Equipment and includible, in accordance with generally accepted accounting principles, in the cost of such Unit of Equipment, as certified by the Lessee pursuant to Section 6.03 of the Participation Agreement.

*"Trust Agreement"* shall mean that certain trust agreement dated as of December 15, 1976 between the Trustor and Continental Illinois National Bank and Trust Company of Chicago and as the same may from time to time be modified, amended or supplemented.

*"Trustor"* shall mean General Electric Credit Corporation, a New York corporation and, to the extent permitted under the applicable Operative Agreements, its successors and assigns.

*"Unit of Equipment"* or *"Unit"*, shall mean, individually, the various railroad covered hopper cars and railroad flat cars described in Schedule 1 to this Lease.

WITNESSETH:

**SECTION 1. *Manufacture and Delivery of Equipment.***

1.01. *Intent To Lease.* The Lessor and the Trustor have entered into the Trust Agreement. Pursuant to the authorities and directions contained in the Trust Agreement, the Lessor has entered into the Participation Agreement with, among others, the Lessee providing for (i) the acquisition by the Lessor of the Equipment described in Schedule 1 attached hereto and made a part hereof and, (ii) upon delivery of each Unit of Equipment by the Manufacturer thereof and acceptance by the Lessee on behalf of the Lessor in accordance with the Participation Agreement, the leasing by the Lessor of such Unit to the Lessee and the hiring by the Lessee of such Unit 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 an Acceptance Date, the Lessee will inspect each Unit of Equipment to be delivered on such date in accordance with the customary standards and procedures of the Lessee, and, if such Unit meets the specifications therefor referred to in the Purchase Order for such Unit (insofar as can be determined by such inspection), the Lessee will accept delivery thereof from the Manufacturer on behalf of the Lessor under this Lease and shall execute and deliver to the Lessor a Certificate of Acceptance with respect to such Unit in the form of Exhibit B attached hereto.

1.03. *Lease Supplements.* (a) On or prior to each Settlement Date, the Lessee and the Lessor will enter into a Lease Supplement substantially in the form of Exhibit A attached hereto which shall set forth the Total Cost of each Unit of Equipment to be settled for on such date, and the Interim Rent and Periodic Rent for the Primary Term (and Second Interim Term, if any) and the Payment Dates in respect of such Unit.

(b) The Lessee's execution and delivery to the Lessor of a Certificate of Acceptance with respect to each Unit 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 any Operative Agreement, that such Unit is unconditionally accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Unit is (insofar as can be determined by the inspection referred to in Section 1.02) 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.

1.04. *Cutoff Date.* In no event will deliveries be accepted by the Lessee pursuant to this Lease after the Cutoff Date.

**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 Unit of Equipment delivered and accepted hereunder, an amount equal to the Total Cost of such Unit of Equipment multiplied by the Per Diem Factor for each day from and including the Settlement Date with respect to such Unit to the next Closing Date occurring not less than 19 days after such Settlement Date;

(b) *Periodic Rent for Second Interim Term.* For each Group 1 and Group 3 Unit of Equipment an amount equal to 4.25% of the Total Cost of such Unit during the Second Interim Term relating to such Unit (subject to reduction by an amount equal to .01735% of such Total Cost for each day the Closing Date with respect to such Unit is deferred from the date originally specified therefor in Section 5 of the Participation Agreement);

(c) *Periodic Rent for Primary Term.* For each Group 1 and Group 3 Unit of Equipment an amount equal to 3.73283% of the Total Cost of such Unit for each of the first 18 Payment Dates occurring during the Primary Term with respect thereto and 4.19482% of such Total Cost for each of the next 32 Payment Dates occurring during such Primary Term, and for each Group 2 Unit of Equipment an amount equal to 3.56165% of the Total Cost of such Unit for each of the first 18 Payment Dates occurring during the Primary Term with respect thereto (subject to reduction, in the case of the installment of Periodic Rent payable on the first Payment Date during such Primary Term, by an amount equal to .01699% of such Total Cost for each day the second Closing Date is deferred from the date originally specified therefor in Section 5 of the Participation Agreement) and 4.35233% of such Total Cost for each of the next 32 Payment Dates occurring during such Primary Term;

(d) *Periodic Rent for Renewal Terms.* For each Unit of Equipment ten semiannual installments, each payable in arrears in the amount to be determined in accordance with Section 24 hereof, during each Renewal Term, if any, with respect to such Unit;

(e) *Additional Rent.* As additional rent hereunder the sum of the following amounts:

(i) An amount equal to all fees payable by the Owner Trustee to the Interim Lender pursuant to Section 2.07 of the Participation Agreement;

(ii) An amount equal to any Termination Fee payable by the Owner Trustee to any Note Purchaser pursuant to Section 4.04 of the Participation Agreement;

(iii) In the event that a scheduled Closing Date shall have been deferred pursuant to Section 4.03 of the Participation Agreement, an amount equal to the total additional interest charges and fees payable by the Owner Trustee pursuant to said Section 4.03 with respect to such deferral of a Closing Date.

The amounts of additional rent referred to in paragraphs (i), (ii) and (iii) of this Section 2.01(e) shall be paid by the Lessee to the Owner Trustee in immediately available funds on each date provided in the Participation Agreement for the payment of the corresponding fees and charges by the Owner Trustee to the Interim Lender or any Note Purchaser, as the case may be.

The percentages of Total Cost for each Unit of Equipment set forth in the foregoing provisions of this Section 2.01 and in Schedule 2 and Schedule 3 hereof include the following assumptions with respect to such Unit: (i) the interest rate on the Secured Notes is equal to 8½% per annum; (ii) the principal amount of the Secured Notes is 73.5% of Total Cost of Group 1 and Group 3 Units of Equipment and 72% of Total Cost of Group 2 Units of Equipment and is payable semiannually in arrears over 25 years; and (iii) prior to the Acceptance Date relating to such Unit, the statutory Federal tax rate on the income of the Trustor is 48%. Any change in the foregoing assumptions, or the ability of the Trustor to take deductions for interest due under the interim loans made by the Bank pursuant to the Participation Agreement will cause an adjustment to be made in the percentages set forth in the foregoing provisions of this Section 2.01 and in Schedule 2 and Schedule 3 hereof in such a manner as shall preserve the Trustor's recovery of investment and after-tax rate of return on investment (computed on the same assumptions used by the Trustor in calculating the original amounts) that would have been realized had the assumptions remained the same. Any such adjustment shall be calculated by the Trustor prior to and become effective on the commencement of the Primary Term with respect to each Unit.

2.02. *Payment Dates.* The total amount of Interim Rent, if any, with respect to each Group 2 Unit 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 thereto and with respect to each Group 1 or Group 3 Unit of Equipment shall be due and payable on the date of the commencement of the Second Interim Term with respect thereto. The total amount of Periodic Rent with respect to each Unit of Group 1 and Group 3 Equipment during the Second Interim Term with respect thereto shall be due on the date of commencement of the Primary Term with respect thereto. Installments of Periodic Rent for the Primary Term with respect to each Unit of Equipment shall be due and payable semiannually in arrears on the nineteenth 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 Unit 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 "*Payment Dates*". The Additional Rent shall be due and payable at the times specified in Section 2.01(e) of this Lease.

2.03. *Place of Rent Payment.* All payments of Rent provided for in this Lease to be made to the Lessor shall be made to the Lessor at 9:30 a.m. Chicago time at the principal office of Continental Illinois National Bank and Trust Company of Chicago, or at such other bank in the continental United States as the Lessor shall specify in writing and, as to Basic Rent, shall be in immediately available funds. All payments of Supplemental Rent payable to persons other than the Lessor shall be made to such person at the address set forth in the Participation Agreement or at such other address as such person shall specify in a written notice to the Lessee.

2.04. *Net Lease.* This Lease is a net lease and, as between the Lessee and any party to the Trust Agreement or to any Operative Agreement and any permitted successor or assign of any such party, the Lessee's obligation to pay all Rent when due and 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, reduction, deferment, defense or other right which the Lessee may have against the Lessor, the Trustor, the Secured Party, 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 any Unit of Equipment, (iii) any damage to or loss or destruction of, any Unit of Equipment, or any interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever, (iv) the invalidity or unenforceability of this Lease or any other infirmity therein or any lack of power or authority of the Lessor to enter into this Lease, (v) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Lessee, (vi) any failure by the Lessor or the Trustor to comply with Section 6.01 of the Trust Agreement, or (vii) any other circumstances or happening whatsoever, whether or not similar to the foregoing. 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 or in the Participation Agreement, 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 shall be final and the Lessee will not seek to recover all or any part of such payment from the Lessor, the Secured Party, the Trustor, the Bank or the Note Purchasers for any reason whatsoever.

SECTION 3. *Term of the Lease.*

The Interim Term of this Lease as to each Unit of Equipment delivered and accepted hereunder shall begin on the Acceptance Date relating to such Unit and shall terminate upon the commencement of the Second Interim Term, or the Primary Term, as the case may be, with respect thereto. A Second Interim Term of this Lease as to each Group 1 Unit of Equipment shall begin on the first Closing Date and shall terminate upon the commencement of the Primary Term with respect thereto. The Primary Term of this Lease with respect to each Group 1 and Group 2 Unit of Equipment shall begin on January 19, 1978 (or, in the case of the Group 2 Units, on the second Closing Date, in the event of a deferral of the closing with respect to the Group 2 Units pursuant to Section 4.03 of the Participation Agreement) and, subject to the provisions of Sections 11 and 14 hereof, shall terminate on January 19, 2003. A Second Interim Term of this Lease as to each Group 3 Unit of Equipment shall begin on the third Closing Date and shall terminate upon the commencement of the Primary Term with respect thereto. The Primary Term as to each Group 3 Unit of Equipment shall begin on January 19, 1979 and, subject to the provisions of Sections 11 and 14 hereof, shall terminate on January 19, 2004. Each renewal term of this Lease pursuant to Section 24 hereof as to each Unit of Equipment shall begin on the expiration of the Primary Term with respect thereto or, as the case may be, the next preceding Renewal Term as to such Unit and, subject to the provisions of Sections 11 and 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 Unit 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 Unit of Equipment in letters not less than one-half inch in height as follows:

“LEASED FROM CONTINENTAL ILLINOIS NATIONAL BANK  
AND TRUST COMPANY OF CHICAGO 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 Unit 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 Unit 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 Unit 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. The Lessee, at its expense, shall remove any markings permitted under this Section 4.03 prior to redelivery of any Unit of Equipment to the Lessor.

*SECTION 5. Disclaimer of Warranties.*

**THE LESSOR DOES NOT MAKE, HAS NOT MADE AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT (EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE), IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE;** but the Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease, for as long as no Event of Default shall have occurred and be continuing, to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interest may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessee, in its capacity as agent for the Lessor under a Purchase Order, or the Lessor may have against the Manufacturer or any other person involved in or connected with the manufacture, construction or transportation of a Unit of Equipment.

*SECTION 6. Lessee's Indemnities.*

The Lessee agrees to indemnify and hold harmless each of the Indemnified Persons in accordance with Section 10.01 of the Participation Agreement.

*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 possession, use, maintenance and operation of each Unit of Equipment which may be applicable to the Lessee, the Lessor or the Trustor. In case any equipment or appliance on any such Unit 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 Unit 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. 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 (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Equipment or the leasing thereof to the Lessee.

7.02. *Exceptions to Compliance.* 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 any Unit of Equipment or the interest of the Secured Party under the Security Agreement or the imposition of any criminal liability upon the Lessor.

**SECTION 8. *Use, Modification and Maintenance of Equipment.***

The Lessee shall, at its own cost and expense, maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) in good operating order, repair and condition, ordinary wear and tear excepted.

The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Equipment during the term of this Lease as are readily removable without causing material damage to the Equipment; provided that no such addition, modification or improvement shall diminish the value, condition or utility of the Equipment below the value, condition and utility thereof immediately prior to such addition, modification or improvement. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee.

The Lessee shall at its own cost and expense make such alterations and modifications in and additions to any Unit as may be required for the operation or use of such Unit by the Interchange Rules of the Association of American Railroads and of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body. Any such alterations, modifications or additions made in accordance with the preceding sentence shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Security Agreement or this Lease) shall immediately be vested in the Lessor.

**SECTION 9. *Liens on the Equipment.***

The Lessee shall satisfy and discharge any and all liens and charges which may be levied against or imposed upon any Unit of Equipment, but the Lessee shall not be required to satisfy or discharge (i) the security interest created by the Security Agreement and any other liens provided for for by the Operative Agreements, (ii) any inchoate liens arising in the ordinary course of business which are not delinquent or are bonded, (iii) any liens for taxes, assessments or governmental charges or levies which are not delinquent, (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 or (v) claims, liens or charges arising by or through any act or omission of the Owner Trustee or the Trustor not contemplated by the Operative Agreements. The Lessee's obligations under this Section 9 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 Unit 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 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 (including without limitation the Security Agreement and financing statements or other notices with respect thereto) in such manner and in such places in the United States as may be required by applicable law for the purpose of protecting under the laws of the United States the Lessor's title to the Equipment or the security interest created by the Security Agreement to the satisfaction of the Lessor's counsel, counsel for the Secured Party and counsel for the Trustor 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 Lessee agrees to indemnify and hold harmless each Indemnified Person in accordance with Section 10.02 of the Participation Agreement.

**SECTION 11. *Payment for Casualty Occurrence or Optional Retirement; Insurance.***

11.01. *Notification by Lessee of Casualty Occurrence.* In the event that during the term of this Lease with respect to any Unit of Equipment (i) such Unit 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) the use thereof shall be requisitioned, seized 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 Unit or for an indefinite term and in either case the Lessee is in fact denied the use and possession of such Unit for a period of more than one year or for the remaining term of this Lease with respect to such Unit if such remaining term is less than one year, or (iii) the use thereof shall be requisitioned, seized 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 or for a stated term which exceeds the remaining term of the Lease with respect to such Unit and in any case the Lessee is, in fact, denied use and possession of such Unit for a period of more than one year, or for the remaining term of this Lease with respect to such Unit if such remaining term is less than one year, or (iv) the title to such Unit shall be condemned, seized or confiscated by or requisitioned or taken by or forfeited to, any governmental authority or person acting under color of governmental authority, the Lessee (after it has actual knowledge of such Casualty Occurrence) shall promptly give the Lessor written notice of such Casualty Occurrence.

11.02. *Payment for Casualty Occurrence.* After giving the notice of a Casualty Occurrence referred to in Section 11.01 hereof, the Lessee shall pay to the Lessor, on the next Payment Date in respect of such Unit of Equipment occurring after the date of such Casualty Occurrence (or if such Casualty Occurrence occurs less than 15 days prior to such Payment Date, on the earlier of (x) the date 45 days after the occurrence of such Casualty Occurrence, or (y) the last day of the Primary Term or Renewal Term in effect on the date of the Casualty Occurrence) (i) Casualty Value calculated as provided in Section 11.07 hereof, and (ii) if the Casualty Value is paid later than the Payment Date next occurring after such Casualty Occurrence, an additional amount equal to interest at the rate of 8½% per annum computed on the Bond Basis on the amount of Casualty Value for the period from such Payment Date to the date on which such Casualty Value is paid.

11.03. *Optional Retirement of Equipment.* The Lessee may, upon not less than 120 days prior written notice to the Lessor, and so long as no Event of Default has occurred and is continuing, terminate this Lease with respect to any Unit of Equipment which in the good faith judgment of the Lessee is determined by it to be no longer useful in its business on January 19,

1988 or any Payment Date thereafter to and including January 19, 2000 upon payment to the Lessor of an amount equal to the Termination Value of such Unit of Equipment as of such Payment Date, provided that the Lessee shall not be permitted to terminate this Lease on any such Payment Date unless Lessee shall then retire from service for the reason stated above in this Section 11.03 all Units of Equipment of the same type and description (i. e., all covered hopper cars or all flat cars) then subject to this Lease. Such notice shall be accompanied by a letter from the Chief Financial Officer and the Treasurer of the Lessee stating that the Units of Equipment are no longer useful as set forth above. The notice shall identify the Units of Equipment with respect to which this Lease is being terminated and the Payment Date on which settlement will be made. On the termination date the Lessee shall pay to the Lessor an amount equal to the Termination Value of such Units of Equipment.

11.04. *Periodic Rent Termination.* Upon (and not until) payment of the Casualty Value or, as the case may be, the Termination Value (together with the Periodic Rent installment due on the Casualty Value or Termination Value payment date) in respect of any Unit of Equipment, the obligation to pay rent for such Unit of Equipment and the term of this Lease with respect to, and the Lessee's right to use and operate such Unit of Equipment shall terminate (provided that the Lessee's obligations under this Lease with respect to any such Unit of Equipment, other than the obligation to pay Basic Rent therefor, shall continue until such Unit is sold or otherwise disposed of pursuant to Section 10.05 hereof), but the Lessee shall continue to pay rent for all other Units of Equipment. The Lessee shall pay when due all Basic Rent as to a Unit of Equipment due on or prior to the date on which the Casualty Value or, as the case may be, the Termination Value thereof is payable.

11.05. *Disposition of Equipment.* The Lessee shall, as agent for the Lessor, promptly dispose of such Unit or Units of Equipment for which settlement has been made pursuant to Section 11.02 or 11.03 for the highest price reasonably obtainable for cash. Any such disposition shall be on an "as is", "where is" basis without representation or warranty express or implied. As to each separate Unit 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, condemnation award or requisition payment and damages received by the Lessee or the Lessor) up to the Casualty Value or, as the case may be, the Termination Value thereof, in each case not theretofore reimbursed, and in the case of a Casualty Occurrence, an additional amount up to the expense incurred by the Lessee with respect to such disposition, and shall promptly 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 Unit 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 Unit 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 Unit or Units of Equipment that such Unit or Units have suffered a Casualty Occurrence the Casualty Value for such Unit or Units shall be an amount equal to 105.25% in the case of a Casualty Occurrence during the Interim Term with respect to such Unit or Units or 103.73% in the case of a Casualty Occurrence during the Second Interim Term, if any, with respect to such Unit or Units of the Total Cost thereof plus the total amount of Interim Rent, or as the case may be, Periodic 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 Unit or Units of Equipment, the Lessee shall have notified the Lessor that such Unit or Units 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 Unit of Equipment shall be an amount determined as of the Payment Date immediately following the date of a Casualty Occurrence (or in the case of a Casualty Occurrence taking place on a Payment Date, shall be determined as of such Payment Date) equal to that percentage of the Total Cost of such Unit of Equipment as specified in the Schedule of Casualty Value attached hereto as Schedule 2 for such Payment Date.

11.08. *Termination Value.* The Termination Value of each Unit 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 Unit of Equipment as specified in the Schedule of Termination Value attached hereto as Schedule 3 for the 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 Unit of Equipment on or after the Acceptance Date with respect to such Unit.

11.10. *Requisition or Taking.* In the event of any requisition or taking of any Unit 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 any amount equal to the Periodic Rent paid or payable in respect of such Unit of Equipment hereunder for such period, and the balance, if any, shall be promptly paid 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, so long as no Event of Default has occurred and is continuing, as agent for the Lessor to negotiate, accept, reject, file and prosecute, at Lessee's sole cost and expense, 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 Unit 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, so long as no Event of Default has occurred and is continuing.

11.12. *Insurance.* (a) The Lessee, at its own cost and expense, will provide and maintain property damage insurance with respect to the Equipment and public liability insurance at least equal to coverages (as to both risks and amounts) generally maintained from time to time by the Lessee (or by corporations owned or controlled, directly or indirectly, by it) with respect to other rail equipment owned or leased by the Lessee (or by corporations owned or controlled, directly or indirectly, by it) and with respect to the liabilities of the owners or lessors of such other rail equipment.

(b) In addition to the foregoing, if an Event of Default shall have occurred and be

continuing, the Lessee, at its own expense, shall provide and maintain such property damage insurance and public liability insurance as the Lessor shall request; provided, however, that the Lessee shall not be obligated to maintain property damage insurance at any time in excess of the 110% of the Casualty Value of each Unit of Equipment as of the immediately preceding Payment Date.

(c) In addition to the foregoing, if and so long as the "Consolidated Net Worth" (as defined below) of Lessee shall be less than one billion dollars, the Lessee shall, at its own expense, provide and maintain such property damage insurance and public liability insurance as the Lessor shall request; provided, however, that the Lessee shall not be obligated to maintain (i) property damage insurance at any time in excess of 110% of Casualty Value of each Unit of Equipment as of the immediately preceding Payment Date, or (ii) insurance other than property damage insurance in an amount in excess of the difference between one billion dollars and the Lessee's Consolidated Net Worth.

(d) The term "*Consolidated Net Worth*" of the Lessee shall mean the aggregate of the Lessee's consolidated capital and surplus accounts, as stated in the Lessee's annual and quarterly reports to its shareholders. The Lessee shall determine its Consolidated Net Worth at least as often as quarterly, and shall notify the Lessor, the Trustor and the Secured Party within five Business Days if any such determination shall indicate that the Lessee's Consolidated Net Worth is less than one billion dollars. The Lessor and, for as long as the Security Agreement is in effect, the Secured Party, shall have the right, at reasonable intervals and as of reasonable dates, to require the Lessee to inform them as to whether or not its Consolidated Net Worth continues to exceed one billion dollars.

(e) All policies of insurance required hereunder, if possible, (i) shall be noncancellable during their terms except upon 30 days prior written notice to the Lessor, Trustor and the Secured Party and (ii) shall name the Lessor, the Trustor and the Secured Party as additional assureds and as payees of said policies as their respective interests may appear without liability for premiums on their part. Payments under all policies required hereby covering loss or damage to the Equipment made as the result of an event constituting a Casualty Occurrence shall be made to the Secured Party as long as the Security Agreement shall be in effect, and for as long as no Event of Default has occurred and is continuing thereafter to the Lessor, and all other payments thereunder shall be made to the Lessee.

(f) Upon each renewal of the insurance coverages provided hereunder, the Lessee will furnish to the Lessor, the Trustor and the Secured Party a statement or an insurance certificate with respect to each insurance policy on or with respect to each Unit of Equipment, issued by the underwriter of such policy (or, in case any underwriter does not issue such a certificate, issued by a broker who customarily issues certificates on behalf of such underwriter), showing the types of risk covered by such policy, the amount insured thereunder and the expiration date thereof. The Lessee shall send the Lessor and the Trustor annually a statement by a responsible officer of the Lessee that the Lessee is in compliance with this Section by virtue of self-insurance permitted hereby or by virtue of insurance carried, specifying the same.

(g) The Lessee shall, at its own cost and expense, have the duty and responsibility to make all proofs of loss and take all other steps necessary to collect from underwriters for any loss under any insurance with respect to each Unit of Equipment.

#### SECTION 12. *Annual Reports.*

12.01. *Report As To Equipment.* Within 30 days after the close of any calendar year in which the Lessee has made an improvement and/or addition to any Unit of Equipment which is not readily removable without causing material damage to such Unit of Equipment, in

accordance with Section 11.07 of the Participation Agreement the Lessee will give written notice thereof to the Trustor describing such improvements and/or additions in reasonable detail and specifying the cost thereof. On or before April 30 in each year, commencing with the year 1978, the Lessee will furnish to the Lessor or its assigns (with a copy to the Trustor) an accurate statement, as of the close of the preceding calendar year (i) showing the quantity, description and car numbers of the Units of Equipment then leased hereunder, stating that the Equipment is being maintained in accordance with this Lease, describing the amount, description and car numbers of all Units 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 (ii) 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 Lessor, the Trustor and to the Secured Party (in sufficient copies for the Secured Party and distribution by the Secured Party to 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, (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 Default has occurred and is continuing, or if such shall not be the case specifying the same and the nature and status thereof and (iii) such other financial information which is generally available to the public as the Lessor or the Secured Party may request. The Lessee shall also furnish to the Lessor, the Trustor and the Secured Party (in sufficient copies for such distribution) copies of the Form 10-K filed by the Lessee during the then current year with the Securities and Exchange Commission.

“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 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 (which shall be maintained in accordance with the Lessee's usual business practice), at such reasonable places and times as shall be reasonably necessary to confirm to the Lessor the existence and proper maintenance thereof during the continuance of this Lease; *provided, however,* that the Lessee shall not be liable, except in the case of the negligence of the Lessee or of its employees or agents for any injury to or death of any such representative.

#### SECTION 13. *Return of Equipment upon Expiration of Term.*

Upon the expiration of the term of this Lease with respect to any Unit of Equipment, the Lessee at its own risk, cost and expense, except as hereinafter provided, will (i) provide storage for such Unit of Equipment at a site or sites selected by the Lessee for a period not exceeding 90 days from the expiration of such term (during which period the insurance provisions of Section 11.12 shall apply) and (ii) cause such Unit to be transported, in good order and repair, ordinary wear and tear excepted, suitable for use in interchange (assuming such Unit is of an age which would permit such use), to such site (other than a site within premises of the Lessee) selected by

the Lessor and designated in a written notice given to the Lessee (which site shall be within 50 miles of 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 Leetsdale, Pennsylvania). The Lessor shall bear the risk of loss with respect to such Unit and the cost of storage thereof following (x) arrival of such Unit at such site selected by Lessor, if such notice shall have been given within 60 days after the expiration of such term, or (y) the expiration of such 90 day period, if such notice shall not have been given within 60 days after the expiration of such term. During the last 120 days of such term and during storage at any site selected by the Lessee, the Lessee will use its best efforts to permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same at all reasonable times and places; *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 storage and transportation of each Unit of Equipment 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 decree against the Lessee requiring specific performance of the covenants of the Lessee to so store and transport such Unit.

In the event of a Casualty Occurrence with respect to any Unit of Equipment in the period during which the Lessee bears the risk of loss and cost of storage pursuant to the above provisions of this Section 13, the Lessee agrees (i) promptly to notify the Lessor of the facts and circumstances surrounding such Casualty Occurrence and (ii) to pay the Lessor, within 45 days of such Casualty Occurrence, an amount equal to the Casualty Value for such Unit of Equipment as of the final Payment Date. The indemnities provided for in Sections 6 and 10.02 hereof are expressly made applicable to and shall be in full force and effect while the Lessee bears the risk of loss and the cost of storage with respect to Units of Equipment in accordance with the above provisions of this Section 13.

#### 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 maintenance of insurance as required by Section 11.12 hereof;

(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 or in the Participation Agreement, 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;

(d) any representation or warranty made by the Lessee herein or in any statement or certificate furnished pursuant to this Lease or the Participation Agreement 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;

(e) any “*Event of Default*”, as defined in Section 14.01 of the Charter Agreement dated as of December 15, 1976 between the Lessor and the Lessee shall have occurred and be continuing;

(f) 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

(g) 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.

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 Units of Equipment, whereupon all right of the Lessee to the use of such Units 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 Units of Equipment may be located and take possession of all or any of such Units, cause the removal and storage at the Lessee's cost and expense of any freight on board such Units, and thenceforth hold, possess and enjoy such Units of Equipment free from any right of the Lessee, or its successors or assigns, to use such Units 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 (on a daily basis) to the date of such termination with respect to such Units of Equipment and also to recover forthwith from the Lessee (i) with respect to such Units 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 Unit of Equipment over the sum of the then present worth of the then fair market rental value of each such Unit for such period, such present worth to be computed in each case on the 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 Units, or (y) an amount which is equal to the excess of the Casualty Value of each such Unit of Equipment, calculated as if a Casualty Occurrence had occurred with respect to such Unit at the time of such termination, over the fair market sales value of each such Unit which the Lessor reasonably estimates to be obtainable for each such Unit, 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; and/or

(3) The Lessor or its agents may sell any Unit of Equipment at public or private sale, with or without notice to the Lessee, advertisement or publication, as the Lessor may determine, or otherwise may dispose of, hold, use, operate, lease (whether for a period greater or less than the balance of what would have been the Interim Term, the Second Interim Term, the Primary Term or any Renewal Term in the absence of the termination of the Lessee's rights to any Unit of Equipment) to others or keep any Unit of Equipment idle, all on such terms and conditions and at such place or places as the Lessor may determine and free and clear of any rights of the Lessee and of any claim of the Lessee, in equity, at law or by statute, whether for loss or damage or otherwise, and without any duty to account to the Lessee; and/or

(4) 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 or expense 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 Units of Equipment). For purposes of paragraph (2) of this Section 14.02 fair market rental value and fair market sales value of Units of Equipment shall be determined in accordance with Section 24.01 hereof and shall be determined by the Lessor or, if the Lessor so elects, by a qualified independent appraiser (at the expense of the Lessee) selected by the Lessor, provided that any sale in a commercially reasonable manner of a Unit of Equipment prior to any such determination shall conclusively establish the fair market sales value of such Unit.

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 the 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 a Unit of Equipment pursuant to Section 14 hereof, the Lessee shall forthwith at its own cost, expense and risk (i) deliver such Unit to the Lessor on storage tracks at such site as the Lessor may designate, (ii) provide storage at the risk of the Lessee for such Unit of Equipment on such tracks for a period not to exceed 360 days, and (iii) transport such Unit to any place on the lines of a railroad which the Lessor may reasonably direct upon not less than 10 days' written notice to the Lessee.

15.02. *Intention of Parties.* The delivery, storage and transporting of each Unit of Equipment as hereinabove 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 decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment free of any risk or liability to the Lessor.

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 Unit of Equipment to Lessor, to demand and take possession of such Unit in the name and on behalf of Lessee from whomsoever shall be at the time in possession of such Unit.

**SECTION 16. *Assignments by Lessor.***

The Lessor intends, with respect to all or some of the Units of Equipment, to grant a security interest in this Lease and all Basic Rent due and to become due hereunder in respect of such Units (subject to the exceptions and reservations set forth in the Security Agreement) to the Secured Party, under the Security Agreement, as supplemented from time to time, to be executed and delivered by the Lessor as collateral security for indebtedness of the Lessor incurred to finance the acquisition of such (the "*Financed Units*"). This Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the leasing of, respectively, (i) the Financed Units and (ii) all other Units described in Schedule 1 hereto, all to the same extent and with the same force and effect as though a separate Lease had been entered into by the Lessor and the Lessee in respect of the Financed Units and all other Units described in Schedule 1 hereto. Upon the execution and delivery of the Security Agreement, and each supplement thereto, the Lessor shall give written notice thereof to the Lessee and all Basic Rent due and to become due hereunder in respect of the Financed Units (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 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 shall survive such assignment and shall be and remain the sole responsibility 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 any Unit or Units of Equipment or any part thereof, or any damage to or loss or destruction of any Unit or Units of 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 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 in respect of the Financed Units (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 in respect of the Financed Units (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 the Lessee) but, without the prior written consent of the Lessor, 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 18 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 Units of Equipment outside the United States in Canada or Mexico, 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 Unit 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, assign this Lease or any of its rights hereunder or sublease any Unit of Equipment for more than two years; *provided, however*, that no such consent shall be required for (x) the assignment of any of its rights hereunder or the sublease of any Unit of Equipment to, or the use thereof by, (A) an affiliate (as defined in Section 11.05 hereof) of the Lessee or (B) any vendors, customers or consignees of the Lessee or an affiliate, of goods being shipped or to be shipped therein, (y) the use of any Unit of Equipment by others in the usual interchange of traffic (subject to the limitation set forth in the first sentence of this Section 17.02) or (z) an assignment or sublease under an agreement pursuant to which maintenance is to be performed by the Lessee. If the Lessor refuses to consent to a sublease as requested by the Lessee, the Lessor agrees to send the Lessee written notice of its refusal to consent and specify the reason for such refusal. Any sublease or use shall be, by its terms, expressly subject and subordinate to this Lease. 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. The Lessor (or its designated agent) 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 shall have been paid 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 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 30 days after the collection thereof by the Lessor. The obligation of the Lessor shall survive termination of this Lease.

#### SECTION 18. *Merger, Consolidation or Acquisition of Lessee.*

Nothing in this Lease shall 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 the 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 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, *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 Note Purchasers, 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) 9.5% per annum (or the maximum legally permissible rate, whichever is less) on any overdue Basic Rent and amounts expended by the Lessor, the Bank, the Secured Party or the Note Purchasers and (ii) 9.5% per annum (or the maximum legally permissible rate, whichever is less) on any other such amounts payable hereunder 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 personally delivered or deposited in the United States mails, registered or certified, postage prepaid, addressed as follows:

If to the Lessor:

Continental Illinois National Bank  
and Trust Company of Chicago  
Trustee Under U.C. Trust No. 13  
231 South La Salle Street  
Chicago, Illinois 60693

Attention: Corporate Trust Division

(with a copy of such notice to be sent to:

General Electric Credit Corporation  
Post Office Box 8300  
Stamford, Connecticut 06904

Attention: Loan Officer—Rail Leasing Component and an additional copy to the attention of Loan Officer—Marine Leasing Component)

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. *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 first Renewal Term, if any, with respect to a Unit 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 Unit of Equipment as of the end of such Term and the fair market sales value of such Unit of Equipment as of the end of the next succeeding Renewal Term. 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 Unit of Equipment, 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 value be determined 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 a Unit of Equipment under

the provisions of Section 8 hereof shall not be deemed to constitute a part of such Unit. The Lessee's request for a determination of fair market sales values and fair market rental value shall not obligate the Lessee to exercise the options provided in Section 24.02. The Lessee shall bear all costs and expenses of any appraisal pursuant to this Section 24.01, *provided that* if the Lessee shall exercise the option to renew with respect to which the appraisal was requested the Lessee and the Lessor shall divide and pay equally such costs and expenses.

*"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 Unit 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 qualified 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 and fair market rental value of such Unit 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 mean average of the values determined by the three appraisers shall be computed, the determination which differs most from such mean average shall be excluded, the mean average of the remaining two determinations shall be computed and such mean average shall be final.

24.02. *Options To Renew.* The Lessee shall have the right on the date of the expiration of the Primary Term and the first Renewal Term, if any, to renew this Lease in respect of all but not less than all of the Units 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 Units 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 24.04 hereof. The Lessee shall give to the Lessor written notice at least 180 days, and not more than one year, prior to the end of the Primary Term or the first Renewal Term, as the case may be, of its election to exercise the renewal option provided for in this Section.

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

24.04. *Casualty Value and Termination Values During Renewal Term.* The schedule of Casualty Values and Termination Values applicable to each Unit 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 Unit of Equipment as of the end of the Primary Term or the preceding Renewal Term, as the case may

be (determined in accordance with Section 24.01 hereof), and on each Payment Date during such Renewal Term shall decline on a straight-line basis to a value for the tenth such Payment Date which shall be the fair market sales value of such Unit 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.* Continental Illinois National Bank and Trust Company of Chicago is entering into this Lease as Trustee under the Trust Agreement and not in its individual capacity and in no case whatsoever shall Continental Illinois National Bank and Trust Company of Chicago (or any entity acting as Successor Trustee under the Trust Agreement) be personally liable on, or for any loss in respect of, any of the obligations of the Lessor hereunder as to all of which the parties hereto agree to look solely to the trust estate, except for any loss caused by the willful misconduct or gross negligence of Continental Illinois National Bank and Trust Company of Chicago.

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 Operative Agreements and any other instrument referred to in the Operative Agreements. 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 Note Purchasers, 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.

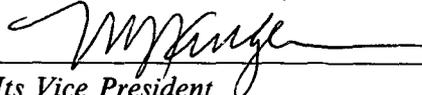
25.06. *Business Day.* If the Lessee shall be required or permitted to make any payment or perform any act on a day which is not a Business Day, the Lessee may make such payment or perform such act on the next succeeding Business Day without interest or penalty.

**SECTION 26. *Successors and Assigns.***

This Lease shall be binding upon and shall inure to the benefit of the Lessor and the Lessee and, to the extent permitted under the Operative Agreements, their respective successors and assigns and shall also inure to the benefit of the Trustor, the Secured Party, the Note Purchasers 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.

CONTINENTAL ILLINOIS NATIONAL BANK  
AND TRUST COMPANY OF CHICAGO  
as Trustee under a Trust Agreement  
dated as of December 15, 1976.

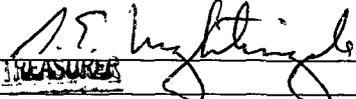
By   
Its Vice President

Lessor

Attest:

  
Trust Officer

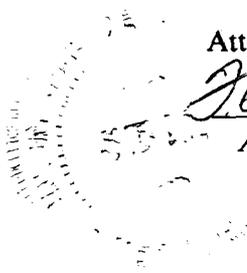
UNION CARBIDE CORPORATION

By   
Its TREASURER

Lessee

Attest:

  
Assistant Secretary



STATE OF ILLINOIS }  
COUNTY OF COOK } ss.:

On this 4<sup>th</sup> day of April, 1977 before me personally appeared **M. J. Kruger**, to me personally known, who being by me duly sworn, says that he is a Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said 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.

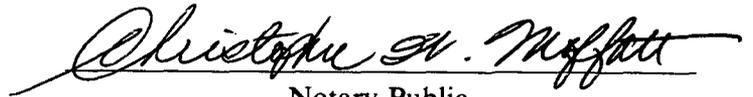
Margaret C. Ryan  
Notary Public

My commission expires      My Commission Expires October 6, 1980

STATE OF NEW YORK  
CITY AND COUNTY OF NEW YORK

} SS.:

On this 10<sup>th</sup> day of April, 1977, before me personally appeared S. E. NIGHTENGALE, to me personally known, who being by me duly sworn, says that he is TREASURER 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.



Notary Public

My commission expires

CHRISTOPHER W. MOFFATT  
Notary Public, State of New York  
Residing in Kings County  
Kings Co. Clk's No. 24-4604933  
Certificate Filed in  
New York Co. Clk's  
Commission Expires March 30, 1978



## DESCRIPTION OF EQUIPMENT

<u>Number of Units</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>
71	5,250 cubic feet Railroad Covered Hopper Cars	RAIX 60804-60874
72	5,270 cubic feet Railroad Covered Hopper Cars	RAIX 60875-60946
107	85' Flat Cars for Hopper Van Box and Van Box Container Service	RAIX 100-206

### SCHEDULE 1 (to Lease of Railroad Equipment)

(U.C. Trust No. 13)

## SCHEDULE OF CASUALTY VALUE

Payment Date Number (after commence- ment of Primary Term)	Casualty Value (Expressed as a percentage of the Total Cost of a Unit of Equipment)	
	<u>Group 1 &amp; 3 Equipment</u>	<u>Group 2 Equipment</u>
1	105.40	104.32
2	106.82	106.06
3	108.00	107.55
4	108.96	108.82
5	109.71	109.87
6	110.24	110.71
7	110.57	111.35
8	110.70	111.78
9	110.63	112.03
10	110.39	112.09
11	109.96	111.97
12	109.36	111.68
13	108.61	111.23
14	107.76	110.63
15	106.86	109.93
16	105.92	109.19
17	104.92	108.42
18	103.88	107.60
19	102.33	105.94
20	100.70	104.21
21	98.99	102.39
22	97.20	100.49
23	95.33	98.51
24	93.36	96.42
25	91.31	94.25
26	89.18	92.01
27	86.99	89.73
28	84.75	87.39
29	82.45	85.00
30	80.10	82.56
31	77.69	80.05
32	75.23	77.49
33	72.71	74.87
34	70.13	72.18
35	67.50	69.44
36	64.80	66.63
37	62.04	63.76
38	59.21	60.82
39	56.32	57.81
40	53.37	54.73
41	50.34	51.58
42	47.25	48.37
43	44.08	45.07
44	40.85	41.70
45	37.54	38.26
46	34.15	34.74
47	30.69	31.13
48	27.16	27.46
49	23.58	23.73
50	20.00	20.00

**SCHEDULE 2**  
**(To Lease of Railroad Equipment)**

## SCHEDULE OF TERMINATION VALUE

Payment Date Number After Commencement of Primary Term	Termination Value (Expressed as a percentage of the Total Cost of a Unit of Equipment)	
	Group 1 & 3 Equipment	Group 2 Equipment
18	100.10*	—
19	98.35*	—
20	96.52	100.15
21	94.62	98.14
22	92.64	96.04
23	90.57	93.85
24	88.41	91.57
25	86.17	89.20
26	83.84	86.77
27	81.46	84.29
28	79.02	81.75
29	76.53	79.16
30	73.98	76.52
31	71.38	73.81
32	68.72	71.05
33	66.01	68.23
34	63.24	65.35
35	60.41	62.41
36	57.52	59.40
37	54.56	56.33
38	51.54	53.19
39	48.46	49.99
40	45.31	46.71
41	42.09	43.37
42	38.80	39.95
43	35.44	36.46
44	32.01	32.89
45	28.51	29.25
46	24.93	25.53

\* Applies to Group 3 Equipment only.

### SCHEDULE 3 (To Lease of Railroad Equipment)

(U.C. Trust No. 13)

**LEASE SUPPLEMENT NO.  
(U.C. Trust No. 13)**

THIS LEASE SUPPLEMENT NO. \_\_\_\_\_ dated as of \_\_\_\_\_, 197 between  
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee under  
U.C. Trust No. 13 (the "*Lessor*") and UNION CARBIDE CORPORATION (the "*Lessee*"),

**W I T N E S S E T H :**

The Lessor and the Lessee have heretofore entered into a Lease of Railroad Equipment dated as of December 15, 1976 (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.

The Lessor and the Lessee hereby acknowledge and agree that Schedule 1 hereto correctly sets forth the Primary Term of the Lease, the Total Cost, the Interim Rent, the Periodic Rent for the Second Interim Term (if any) and for the Primary Term and the Payment Dates with respect to the Units of Equipment identified in Schedule 1 hereto.

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.

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.

CONTINENTAL ILLINOIS NATIONAL  
BANK AND TRUST COMPANY OF CHICAGO  
as Trustee under U.C. Trust No. 13

By \_\_\_\_\_  
Its \_\_\_\_\_  
*Lessor*

UNION CARBIDE CORPORATION

By \_\_\_\_\_  
Its \_\_\_\_\_  
*Lessee*

**EXHIBIT A  
(to Lease of Railroad Equipment)**

Description of Units of Equipment,  
including car numbers:

Manufacturer:

Total Cost: \$ \_\_\_\_\_ per Unit of Equipment or  
an aggregate Total Cost of \$ \_\_\_\_\_

Interim Term: Beginning on the date hereof and terminating  
on the date of commencement of [Primary  
Term] [Second Interim Term]

Second Interim Term (if any): Beginning on July 19, 197 \_\_\_\_\_ and terminating  
on the date of commencement of the Pri-  
mary Term

Interim Rent: \$ \_\_\_\_\_ per Unit of Equipment or  
an aggregate of \$ \_\_\_\_\_ payable  
on the date of commencement of the [Pri-  
mary Term] [Second Interim Term]

Periodic Rent for Second Interim Term (if any): \$ \_\_\_\_\_ per Unit of Equipment or  
an aggregate of \$ \_\_\_\_\_ payable  
on the date of commencement of the Pri-  
mary Term.

Periodic Rent for Primary Term: Payable in fifty installments as follows:

(i) eighteen equal semiannual installments in  
the amount of \$ \_\_\_\_\_ per Unit of  
Equipment or an aggregate of \$ \_\_\_\_\_  
on the nineteenth day of July, 197  
and the nineteenth day of each January  
and July thereafter to and including the  
nineteenth day of January, 198 , followed  
by

(ii) thirty-two equal semiannual installments  
in the amount of \$ \_\_\_\_\_ per Unit  
of Equipment or an aggregate \$ \_\_\_\_\_  
on the nineteenth day of July, 198  
and the nineteenth day of each January  
and July thereafter to and including the  
nineteenth day of January, 200 .

**SCHEDULE 1**  
(to Lease Supplement No. \_\_\_\_\_ )

(U.C. Trust No. 13)

## CERTIFICATE OF ACCEPTANCE

Dated \_\_\_\_\_, 197

UNION CARBIDE CORPORATION (the "*Lessee*"), does hereby certify that:

Pursuant to Section 1.02 of the Lease dated as of December 15, 1976 (the "*Lease*") between the Lessee and Continental Illinois National Bank and Trust Company of Chicago, as Owner Trustee (the "*Lessor*"), the Lessee has inspected, received, approved and accepted delivery of the following units of railroad equipment (the "*Units of Equipment*"):

Type of Cars:  
Maximum Total Cost:  
Place Accepted:  
Date Accepted:  
Number of Units:  
Numbered:

Each Unit of Equipment is unconditionally accepted under the Lease, is (insofar as can be determined by the inspection referred to in Section 1.02 of the Lease) in good order and condition and conforms to the specifications applicable thereto and to all applicable United States Department of Transportation requirements and specifications and the current Interchange Rules and supplements thereto of the Mechanical Division, the Association of American Railroads reasonably interpreted as being applicable to new railroad equipment of the character of such Unit, such Unit of Equipment has not been put into service prior to the date hereof, and at the time of acceptance of such Unit, there was plainly, distinctly and conspicuously placed, in letters not less than one-half inch in height, the legend required by Section 4.02 of the Lease.

The representations and warranties of the Lessee contained in the Participation Agreement are true and correct on and as of the date hereof and the Lessee has performed all of its obligations and satisfied all the conditions on its part to be performed or satisfied under the Lease and the Participation Agreement on or prior to the date hereof.

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Units of Equipment for any warranties it has made with respect to the Units of 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.

For purposes of this Certificate, all terms which are not defined herein and which are defined in the Lease shall have the respective meanings therein specified, unless the context of this Certificate otherwise requires.

UNION CARBIDE CORPORATION

By \_\_\_\_\_  
[Title]

[Seal]

**EXHIBIT B**

(U.C. Trust No 13)

(to Lease of Railroad Equipment)