

RECORDATION NO. 9797 Form 1425

OCT 26 1978 - 11 25 AM
INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission
Washington, D. C.

Gentlemen:

Enclosed for recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, are the original and 29 counterparts of a Lease of Railroad Equipment dated as of July 1, 1978.

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: Trust Company for USL, Inc.,
as Trustee under U. C.
Trust No. 16
1211 West 22nd Street
Oak Brook, Illinois 60521

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

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

Please return the original and 27 copies of the Lease of Railroad Equipment to Ronald E. Roden, Esq., 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,

UNION CARBIDE CORPORATION

By *R. S. [Signature]* *OBM WER*
Its TREASURER
LESSEE AS AFORESAID

8-299A012

DATE OCT 26 1978

Fee \$ 50

Washington, D. C.
Enclosures

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I.C.C.
FEE OPERATION BR.

CT. Kasper
[Signature]

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>	<u>Estimated Time of Delivery</u>
177	100-ton Railroad Covered Hopper Cars	RAIX 57220 through RAIX 57396;	October, 1978 January, 1979
243	100-ton Railroad Tank Cars	RAIX 2359 through RAIX 2369;	December, 1978 June, 1979
		RAIX 2540 through RAIX 2575;	
		RAIX 2701 through RAIX 2717;	
		RAIX 3001 through RAIX 3009;	
		RAIX 3401 through RAIX 3456;	
		RAIX 6577 through RAIX 6650;	
		RAIX 8025 through RAIX 8059;	
		RAIX 9149 through RAIX 9153.	

Interstate Commerce Commission
Washington, D.C. 20423

10/26/78

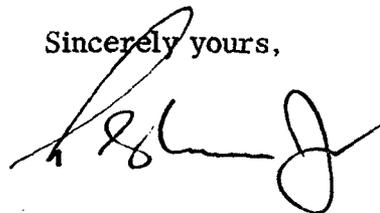
OFFICE OF THE SECRETARY

Ronald E. Roden, Esp
Chapman And Cutler
111 West Monroe Street
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 10/26/78 at 11:25am and assigned recordation number(s) 9797,9798

Sincerely yours,



H.G. Homme, Jr.,
Acting Secretary

Enclosure(s)

SE-30-T
(2/78)

9797

RECORDATION NO. XXXXXXXXXXXX Filed 1428

OCT 26 1978 11 21 AM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1978

Between

TRUST COMPANY FOR USL, INC.

As Trustee under
U.C. Trust No. 16

Lessor

And

UNION CARBIDE CORPORATION

Lessee

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ATTACHMENTS TO LEASE OF RAILROAD EQUIPMENT:

- Schedule 1 - Description of Equipment
- Schedule 2 - Schedule of Casualty Value
- Schedule 3 - Schedule of Termination Value
- Exhibit A - Lease Supplement No. ___
- Exhibit B - Certificate of Acceptance

LEASE OF RAILROAD EQUIPMENT

Re:

Union Carbide Corporation
(U. C. Trust No. 16)

THIS LEASE OF RAILROAD EQUIPMENT, dated as of July 1, 1978, between TRUST COMPANY FOR USL, INC., not in its individual capacity but solely as Trustee under the Trust Agreement hereinafter referred to (the "Lessor"), and UNION CARBIDE CORPORATION, a New York corporation (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 an Item of Equipment is simultaneously delivered and accepted under and in accordance with the terms of a Purchase Order and this Lease.

"Appraisal Procedure" shall have the meaning set forth in Section 24.01 of this Lease.

"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 California 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, to the date hereof.

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

"Cutoff Date" shall mean December 31, 1979.

"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 tank 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 Items of Equipment" shall mean Items of Equipment having an Acceptance Date occurring on or prior to December 31, 1978.

"Group 2 Equipment" or "Group 2 Items of Equipment" shall mean Items of Equipment having an Acceptance Date occurring after December 31, 1978 and on or prior to June 30, 1979.

"Group 3 Equipment" or "Group 3 Items of Equipment" shall mean Items of Equipment having an Acceptance Date occurring after June 30, 1979 and on or prior to December 31, 1979.

"Interim Lender" shall mean Wells Fargo Bank, National Association, a national banking association and its 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.

"Item of Equipment" or "Item", shall mean, individually, the various railroad covered hopper cars and railroad tank cars described in Schedule 1 to 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 have the meaning specified in the Purchase Order Assignment.

"Note Purchaser" shall mean one of the Note Purchasers listed in the Participation Agreement and its successors and assigns.

"Operative Agreements" shall have the meaning set forth in the Participation Agreement.

"Participation Agreement" shall mean that certain Participation Agreement dated as of July 1, 1978 among the Trustor, the Lessor, the Lessee, the Interim Lender, 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.

"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 Item 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 have the meaning specified in the Purchase Order Assignment.

"Purchase Order Assignment" shall mean the Purchase Order Assignment dated as of July 1, 1978, between the Lessee and the Lessor and as the same may from time to time be modified, amended or supplemented.

"Regulations" shall have the meaning set forth in the Participation Agreement.

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

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

"Responsible Officer" when used with respect to the Lessee shall mean the Chairman, the President, the Vice Chairman, any Vice President or the Treasurer, or any other officer or assistant 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.

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

"Secured Notes", "Series 1 Secured Notes", "Series 2 Secured Notes" and "Series 3 Secured Notes" shall have the respective meanings set forth in the Participation Agreement.

"Secured Party" shall mean Wells Fargo Bank, National Association, as Trustee under the Security Agreement, and its successors and assigns.

"Security Agreement" shall mean that certain Security Agreement and Indenture of Trust dated as of July 1, 1978 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 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 Item of Equipment an amount equal to the sum of (i) the aggregate amount of the Manufacturer's invoices with respect to such Item, (ii) the cost of transportation thereof, if any, (iii) the cost of having such Item lined, (iv) the cost of storage thereof, if any, prior to the Acceptance Date relating to such Item, and (v) such Item's pro rata share of the fees or other amounts, if any, payable by the Owner Trustee to the Note Purchasers, the Interim Lender or the Trustor pursuant to Sections 4.03 and 4.04, 2.07 and 3.04, respectively, of the Participation Agreement. For purposes of determining the Total Cost of an Item of Equipment, (x) any fees payable pursuant to Section 2.07 during any Acceptance Period shall be allocated to each Item of Equipment in the Group being accepted during such Acceptance Period and (y) any fees or other amounts payable pursuant to Sections 3.04, 4.03 and 4.04 of the Participation Agreement on a Closing Date shall be allocated to each Item of Equipment in the Group being financed on such Closing Date, in each case in accordance with the ratio of the Total Cost (exclusive of any fees or other amounts payable pursuant to Sections 2.07, 3.04, 4.03 and 4.04 of the Participation Agreement) of such Item to the Total Cost (exclusive of any such fees or other amounts) of all Items of Equipment in such Group.

"Trust" and "Trust Estate" shall have the respective meanings specified in the Trust Agreement.

"Trust Agreement" shall mean that certain Trust Agreement dated as of July 1, 1978 among the Trustor, Trust Company for USL, Inc. and United States Lease Financing, Inc., as Agent for the Trustee thereunder (the "Agent"), and as the same may from time to time be modified, amended or supplemented.

"Trustor" shall mean Chemical Bank, a New York banking corporation, and its successors and assigns.

W I T N E S S E T H:

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 Item 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 Item to the Lessee and the hiring by the Lessee of such Item 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 Item of Equipment to be delivered on such date in accordance with the customary standards and procedures of the Lessee, and, if such Item meets the specifications therefor referred to in the Purchase Order for such Item (insofar as can be determined by such inspection) and if the conditions precedent set forth in Sections 6.01 and 6.02 of the Participation Agreement with respect to such Item have been met, 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 Item in the form of Exhibit B attached hereto.

1.03. Lease Supplements. (a) On or prior to each Closing 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 Item of Equipment to be financed 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 Item.

(b) The Lessee's execution and delivery to the Lessor of a Certificate of Acceptance with respect to each Item of Equipment shall conclusively establish as between the Lessor and the Lessee, but without prejudice to any rights either party may have against the Manufacturer thereof or against any other person not a party to any Operative Agreement, that such Item 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 Item 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 Item of Equipment delivered and accepted hereunder, an amount equal to interest, if any, accrued and

unpaid on the Interim Note in respect of such Item for the period from and including the Settlement Date with respect to such Item to the next Closing Date occurring not less than 18 days after such Settlement Date in the case of any Group 1 or 2 Item of Equipment or the next Closing Date after such Settlement Date in the case of any Group 3 Item of Equipment.

(b) Periodic Rent for Second Interim Term for Group 2 and 3 Items. For each Group 2 and 3 Item of Equipment an amount equal to 0.025% of the Total Cost of such Item for each day during the Second Interim Term relating to such Item;

(c) Periodic Rent for Primary Term. For each Group 1 Item of Equipment an amount equal to 3.35912% ✓ of the Total Cost of such Item for each of the first 17 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 0.016056% of such Total Cost for each day the first Closing Date is deferred from the date originally specified in Section 5 of the Participation Agreement) and 4.10559% of such Total Cost for each of the next 33 Payment Dates occurring during such Primary Term, and for each Group 2 and 3 ✓ Item of Equipment an amount equal to 3.42696% of the Total Cost of such Item for each of the first 17 Payment Dates occurring during the Primary Term with respect thereto and 4.18851% of such Total Cost for each of the next 33 Payment Dates occurring during such Primary Term;

(d) Periodic Rent for Renewal Terms. For each Item of Equipment 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 Item;

(e) Adjustments to Basic Rent. The percentages set forth in Section 2.01(c) and in Schedules 2 and 3 hereof are predicated on the following assumptions:

(i) the Primary Term for each Group 1 Item of Equipment shall have commenced on January 18, 1979 and the Primary Term for each Group 2 and 3 Item of Equipment shall have commenced on January 18, 1980;

(ii) Interim Rent in an amount equal to 0.022917% of the Total Cost of each Item of Equipment shall have been payable for each day from and including the Settlement Date in respect to such Item of Equipment to but

not including the next Closing Date occurring not less than 18 days after such Settlement Date;

(iii) Periodic Rent for the Second Interim Term in an amount equal to 4.5% of the Total Cost of each Group 2 Item of Equipment shall have been payable on January 18, 1980;

(iv) the Trustor shall have paid (A) on January 18, 1979 and January 18, 1980 an amount equal to 35.77702% of the Total Cost of each Group 1 and 3 Item of Equipment accepted under the Lease, respectively, and (B) on July 18, 1979 an amount equal to 34.59221% of the Total Cost of each Group 2 Item of Equipment accepted under the Lease;

(v) the Secured Notes shall bear interest at the rate of 9% per annum;

(vi) the Series 1 and 3 Secured Notes shall be in a principal amount equal to 64.22298% of the Total Cost of the Group 1 and 3 Items of Equipment accepted under the Lease, respectively, and the Series 2 Secured Notes shall be in a principal amount equal to 65.40779% of the Total Cost of the Group 2 Items of Equipment accepted under the Lease; and

(vii) the average life to maturity of the Series 1 Secured Notes shall not be less than 13-1/2 years nor more than 15-1/2 years measured from January 18, 1979 and the average life of the Series 2 and 3 Secured Notes shall not be less than 13-1/2 years nor more than 15-1/2 years measured from January 18, 1980.

Any change in the foregoing assumptions with respect to any Items of Equipment occurring on or prior to the earlier of (i) the commencement date of the Primary Term in respect of such Items of Equipment or (ii) December 31, 1979, or the ability of the Trustor to take deductions for interest due under the loans made by the Interim Lender pursuant to the Participation Agreement will cause an adjustment to be made in the percentages set forth in Section 2.01(c) and in Schedules 2 and 3 hereof in such a manner as shall maintain the net annual after-tax return and rate of recovery of investment and annual net cash flows (computed on the same assumptions, including tax rates, used by the Trustor in originally evaluating this transaction) which the Trustor would have realized had the assumptions remained the same, provided that no such adjustment shall reduce Basic Rent below that amount which is necessary to pay the principal of, premium, if any, and interest on the Secured Notes as the same become due or below the amount required by the provisions of

Rev. Proc. 75-21 and subject to receipt by the Trustor of a favorable opinion of its special tax counsel as to such adjustment. Any such adjustment shall be calculated by the Trustor prior to and become effective on the Payment Date next succeeding the date of any such adjustment with respect to any such Item of Equipment.

The percentages set forth in Section 2.01(c) above and in Schedules 2 and 3 hereof are also predicated on the availability, with respect to each Item of Equipment, of (i) the tax assumptions (as they apply to the Trustor) implied in the rulings referred to in Section 11.04 of the Participation Agreement, and (ii) upon after-tax effects of state and local counterparts thereto and upon a statutory Federal, state and local effective tax rate on the income of the Trustor of 60.565%. In the event there is a change in the Code or Regulations (or relevant state or local tax laws) effective prior to or coincident with the commencement date of the Primary Term in respect of an Item of Equipment which changes any of these assumptions and subject to the Lessee's purchase option provided in Section 11.15 of the Participation Agreement, the Basic Rent (and the tax indemnity provisions will be adjusted accordingly) applicable to such Item of Equipment will be adjusted in such a manner as shall maintain the net annual after-tax return and rate of recovery of investment and annual net cash flows (computed on the same assumptions, including tax rates, used by the Trustor in originally evaluating this transaction) which the Trustor would have realized had the tax assumptions remained the same, provided, that no such adjustment shall be made to the extent that the tax assumptions referred to in clause (i) of the first sentence of this paragraph are confirmed in a ruling letter issued by the Internal Revenue Service (except as otherwise provided in Section 11.04 of the Participation Agreement), and further provided, that no such adjustment shall reduce Basic Rent below that amount which is necessary to pay the principal of, premium, if any, and interest on the Secured Notes as the same become due or below the amount required by the provisions of Rev. Proc. 75-21 and subject to receipt by the Trustor of a favorable opinion of its special tax counsel as to such adjustment. Any such adjustment shall be calculated by the Trustor prior to and become effective on the Payment Date next succeeding the date of any adjustment with respect to any such Item of Equipment.

In connection with all calculations under this Section 2.01(e), the Trustor shall promptly notify the Lessee of all final calculations and, upon request, will provide the Lessee with a certificate of the Trustor setting out, in adequate detail, the figures, assumptions and method used in making such calculations.

2.02. Payment Dates. The total amount of Interim Rent, if any, with respect to each Group 1 Item of Equipment shall be due and payable on the date of commencement of the Primary Term with respect thereto and with respect to each Group 2 or 3 Item of Equipment shall be due and payable on the date of the commencement of the Second Interim Term, if any, with respect thereto. The total amount of Periodic Rent with respect to each Item of Group 2 or 3 Equipment during the Second Interim Term with respect thereto shall be due and payable on the date of commencement of the Primary Term with respect thereto.

Installments of Periodic Rent for the Primary Term with respect to each Item of Equipment shall be due and payable semiannually in arrears on the eighteenth day of each January and July during such Primary Term and on the date of termination of such Primary Term, commencing with the first such date to occur after the date of commencement of such Primary Term. Installments of Periodic Rent for each Renewal Term, if any, with respect to each Item of Equipment shall be due and payable semiannually in arrears during such Renewal Term. Such payment dates for Periodic Rent are herein referred to as the "Payment Dates".

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 or before 9:30 A.M., San Francisco time, at the principal office of the Security Trustee at 475 Sansome Street, San Francisco, California 94111, Attention: Corporate Trust Department, 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 Item of Equipment,

(iii) any damage to or loss or destruction of, any Item of Equipment, or any interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever,

(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, or

(vi) 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 Interim Lender or the Note Purchasers for any reason whatsoever.

SECTION 3. TERM OF THE LEASE.

The Interim Term of this Lease as to each Item of Equipment delivered and accepted hereunder shall begin on the Acceptance Date relating to such Item and shall terminate upon the commencement of the Second Interim Term, or the Primary Term, as the case may be, with respect thereto. The Primary Term of this Lease with respect to each Group 1 Item of Equipment shall begin on January 18, 1979 (or, in the event of a deferral of the closing with respect to the Group 1 Items pursuant to Section 4.03 of the Participation Agreement, on the first Closing Date) and, subject to the provisions of Sections 11 and 14 hereof, shall terminate on January 18, 2004. A Second Interim Term of this Lease as to each Group 2 Item of Equipment shall begin on the second Closing Date and shall terminate upon the commencement of the Primary Term with respect thereto. A Second Interim Term of this Lease as to each Group 3 Item 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 2 and 3 Item of Equipment shall begin on January 18, 1980 and, subject to the provisions of Sections 11 and 14 hereof, shall terminate on January 18, 2005. Each renewal term of this Lease pursuant to Section 24 hereof as to each Item 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 Item 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 Item of Equipment to be kept numbered with the car number as set forth in Schedule 1 and to be kept plainly, distinctly and conspicuously marked by a stencil printed in contrasting color upon both sides of each Item of Equipment in letters not less than one-half inch in height as follows:

"OWNED BY A BANK OR TRUST COMPANY AND
SUBJECT TO A SECURITY INTEREST RECORDED
WITH THE INTERSTATE COMMERCE COMMISSION"

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

"Responsible Employee" means an officer or employee of the Lessee, or 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 the Lessee to use the Equipment under this Lease or for advertising purposes, and provided further, that the 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 Item of Equipment to the Lessor.

SECTION 5. DISCLAIMER OF WARRANTIES; AGENCY.

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 ITEMS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE ITEMS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE ITEMS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ITEM (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 an Item of Equipment.

SECTION 6. INSURANCE.

6.01. Discretionary Insurance Coverage. Except as provided in Section 6.02 hereof, the Lessee may, in its sole discretion and at its cost and expense, self-insure or maintain commercial insurance as to any and all risks in respect of the Equipment; provided, however, any such insurance maintained by the Lessee shall not preclude the Lessor from insuring its own insurable interest in the Equipment.

6.02. Required Insurance Coverage and Limits. If an Event of Default shall have occurred and be continuing, or if and so long as the "Consolidated Net Worth" (as defined below) of the Lessee shall be less than one billion dollars, the Lessee shall, at its cost and expense, procure and maintain property damage insurance in respect of the Equipment in an amount not less than the then current Casualty Value of all Items then subject to this Lease and public liability insurance in respect of the Equipment in an amount not less than \$1,000,000 per claim and 150% of the aggregate Total Cost of all Items then subject to this Lease per occurrence.

6.03. Consolidated Net Worth of Lessee. As used in this Lease, 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.

6.04. Policy Provisions. All policies of insurance required pursuant to Section 6.02 hereof, if possible, (i) shall be noncancellable during their terms except upon 30 days' prior written notice to the Lessor, the 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 pursuant to Section 6.02 hereof 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 thereafter to the Lessor, and all other payments thereunder shall be made to the Lessee. Payments under all policies not required pursuant to Section 6.02 hereof but maintained at the sole discretion of the Lessee shall be payable to and for the sole account of the Lessee.

6.05. Insurance Certificates. Upon each renewal of the insurance coverages required pursuant to Section 6.02 hereof, the Lessee will furnish to the Lessor, the Trustor and the Secured Party a statement, cover note or an insurance certificate with respect to each insurance policy on or with respect to each Item 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.

6.06. Proofs of Loss. The Lessee shall, at its 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 required hereunder with respect to each Item of Equipment.

SECTION 7. RULES, LAWS AND REGULATIONS.

7.01. Compliance with Rules, Laws and Regulations. The Lessee agrees to comply with all applicable governmental laws, regulations, requirements and rules (including without limitation the rules of the United States Department of Transportation and the Interchange Rules and supplements thereto of the Mechanical Division, Association of American Railroads) as the same may be in effect from time to time with respect to the possession, use, maintenance and operation of each Item of Equipment.

7.02. Exceptions to Compliance. The Lessee shall not be required to comply with any such law, regulation, requirement or rule during any period during which the validity or applicability thereof is being contested in good faith and by appropriate proceedings; provided, that the Lessee shall comply with any such law, regulation, requirement or rule if in the reasonable opinion of the Trustor or any Note Purchaser the failure to so comply will have a materially adverse effect upon the title of the Lessor to the Equipment or the interest of the Secured Party under the Security Agreement or subject the Lessor to any material risk of any criminal liability.

SECTION 8. MAINTENANCE AND MODIFICATION OF EQUIPMENT.

8.01. Maintenance. The Lessee shall, at its own cost and expense, maintain and keep each Item in good operating order, repair and condition, ordinary wear and tear excepted. Any parts installed or replacements made to any Item pursuant to this Section 8.01 shall be considered accessions to such Item and title thereto shall be vested immediately in the Lessor. All replaced, worn out or defective parts may be retained by the Lessee for its own account.

8.02. Required Modifications. The Lessee, at its cost and expense, shall make such changes, installations, alterations and modifications (a "Required Modification") in and to any Item of Equipment as may be required for the Lessee's operation or use of such Item of Equipment by the Interchange Rules of the Mechanical Division of the Association of American Railroads, the Interstate Commerce Commission, the Department of Transportation or any other applicable governmental regulatory body; provided, however, the Lessee shall not be required to make any such Required Modification in and to any Item of Equipment during any period during which the validity or applicability of the requirements of any applicable governmental regulatory body is being contested in good faith by appropriate proceedings; provided, further, that the Lessee shall make any such Required Modification if in the reasonable opinion of the Trustor or any Note Purchaser the failure to make such Required Modification will have a materially adverse effect upon the title of the Lessor to the Equipment or the interest of the Secured Party under the Security Agreement or subject the Lessor to any material risk of any criminal liability.

If such Required Modification is readily removable without causing material damage to such Item of Equipment and if such Required Modification is no longer required by the Interchange Rules of the Mechanical Division of the Association of American Railroads, the Interstate Commerce Commission, the Department of Transportation or such other applicable governmental regulatory body, the Lessee, at its cost and expense, may remove such Required Modification prior to the end of the term of this Lease; provided, that the Lessee, at its cost and expense, shall repair or pay to the Lessor the cost of repairing any damage to any Item of Equipment resulting from such removal. If such Required Modification is not so removable or is then required by the Interchange Rules of the Mechanical Division of the Association of American Railroads, the Interstate Commerce Commission, the Department of Transportation or other such applicable governmental regulatory body, ownership of such Required Modification shall pass to the Lessor at the end of the term of this Lease with respect to such Item of Equipment.

8.03. Discretionary Modifications. (a) In addition to any Required Modification, the Lessee, at its cost and expense, may make such changes, installations, alterations and modifications (a "Discretionary Modification") in and to any Item of Equipment as the Lessee may deem desirable in the proper conduct of its

business; provided, that (i) the value of such Item of Equipment immediately following the completion of such Discretionary Modification shall be improved or substantially maintained and (ii) upon the expiration of (a) the second of the two Primary Terms, (b) the second of the two first Renewal Terms (or if there be only one such Term, the expiration of such Term) and (c) the second of the two second Renewal Terms (or if there be only one such Term, the expiration of such Term) of this Lease, the aggregate value as determined at the end of such Term or Terms of all Items of Equipment, in the case of (a) above as of the respective dates on which the Primary Term as to each Item of Equipment ended and in the case of (b) and (c) above as of the respective dates on which the first Renewal or the second Renewal Term, as the case may be, as to each Item of Equipment ended, shall not be less than such aggregate value would have been had such Discretionary Modifications (which are not removable without causing material damage to the Items of Equipment) not been made during the Term or Terms in question, and if on any one or more of the dates referred to in clauses (a), (b) or (c) above such aggregate value is less than if such Discretionary Modifications had not been made, then the difference between the value had such Discretionary Modifications not been made and the actual value thereof shall as soon as possible after the relevant period referred to in (a), (b), (c) or any or all of said clauses be paid by the Lessee to the Lessor, provided, further, that the immediately preceding proviso shall not under any circumstances be deemed a guarantee of residual value of any Item of Equipment.

(b) If such Discretionary Modification is readily removable without causing material damage to such Item of Equipment, the Lessee, at its cost and expense, shall remove or pay to the Lessor the cost of removing such Discretionary Modification prior to the end of the term of this Lease; provided, that the Lessee, at its cost and expense, shall repair or pay to the Lessor the cost of repairing any damage to any Item of Equipment resulting from such removal. If such Discretionary Modification is not so removable, ownership of such Discretionary Modification shall pass to the Lessor at the end of the term of this Lease with respect to such Item of Equipment.

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 Item of Equipment during the term of this Lease as to such Item, but the Lessee shall not be required to satisfy or discharge:

(a) the security interest created by the Security Agreement and any other liens provided for by the Operative Agreements;

(b) any inchoate liens arising in the ordinary course of business which are not delinquent or are bonded;

(c) any liens for taxes, assessments or governmental charges or levies which are not delinquent;

(d) any such 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; or

(e) any liens or charges arising by or through any act or omission of the Owner Trustee or the Trustor not contemplated by the Operative Agreements;

provided, that the Lessee shall promptly satisfy and discharge any lien or charge referred to in clauses (b), (c) or (d) of this Section 9 if in the reasonable opinion of the Trustor or any Note Purchaser the failure to so satisfy and discharge any such lien or charge will have a materially adverse effect upon the title of the Lessor to the Equipment or the interest of the Secured Party under the Security Agreement. The Lessee's obligations under this Section 9 shall survive termination of this Lease. So long as no Event of Default shall have occurred and be continuing, nothing in this Section 9 shall limit the rights which the Lessee may have against any Person under any sublease or other use of any Item of Equipment permitted by Section 17.02 hereof.

SECTION 10. FILING.

Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act and will furnish the Lessor proof thereof. The Lessee 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 counsel for the Lessor, 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.

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 Item of Equipment:

(a) such Item 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 other than pursuant to Section 11.03 hereof, or

(b) 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 Item or for an indefinite term and in either case the Lessee is in fact denied the use and possession of such Item for a period of more than one year or for the remaining term of this Lease with respect to such Item if such remaining term is less than one year, or

(c) (i) 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 Item and in any case the Lessee is, in fact, denied use and possession of such Item for a period of more than one year, or for the remaining term of this Lease with respect to such Item if such remaining term is less than one year, and (ii) at any time during such requisition, seizure or taking the Consolidated Net Worth (as defined in Section 6) of the Lessee shall be less than one billion dollars, provided, however, that if any

such requisition, seizure or taking shall be in effect at the end of the Primary Term or the end of any Renewal Term and the Lessee shall not have exercised its option to renew this Lease pursuant to Section 24.02 hereof with respect to such Item or Items so requisitioned, seized or taken, then such requisition, seizure or taking shall constitute a Casualty Occurrence, or

(d) (i) the use thereof shall be requisitioned, seized or taken by the United States of America or any agency thereof, (ii) such requisition, seizure or taking shall be in effect at the end of the Primary Term or the end of any Renewal Term, and (iii) the Lessee shall not have exercised its option to renew this Lease for a term subsequent to the then current term pursuant to Section 24.02 hereof with respect to such Item or Items so requisitioned, seized or taken, or

(e) the title to such Item 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. Notwithstanding the conditions set forth in clause (b), (c) or (d) above, the Lessee may elect at any time to treat any such requisition, seizure or taking as a Casualty Occurrence by giving the Lessor written notice of such election.

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 Item 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 set forth in Section 19 hereof with respect to overdue amounts 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. With respect to not less than ten (10) Items of Equipment which in the good faith judgment of the Lessee are determined by it to be econom-

ically obsolete or surplus to its distribution requirements or no longer useful in its business, the Lessee may, upon not less than 90 days' prior written notice to the Lessor, and so long as no Event of Default has occurred and is continuing, terminate this Lease on January 18, 1989, or on the eighteenth day of any calendar month thereafter in the case of any Group 1 Item or on January 18, 1990, or on the eighteenth day of any calendar month thereafter in the case of any Group 2 or 3 Item designated by the Lessee in such notice (the "Termination Date") upon payment to the Lessor of the sums hereinafter set forth in this Section 11.03; provided, that the Lessee shall not be entitled to exercise such right of termination more than twice in any one calendar year. Such notice shall identify the Items of Equipment with respect to which this Lease is being terminated and the Termination Date on which payment will be made. On such Termination Date the Lessee shall pay to the Lessor an amount equal to the Termination Value of such Items 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, in the case of a Casualty Occurrence, the Periodic Rent installment or portion thereof due on the Casualty Value payment date) in respect of any Item of Equipment, the obligation to pay rent for such Item of Equipment and the term of this Lease with respect to and the Lessee's right to use and operate such Item of Equipment shall terminate (provided that the Lessee's obligations under this Lease with respect to any such Item of Equipment, other than the obligation to pay Basic Rent therefor, shall continue until such Item is sold or otherwise disposed of pursuant to Section 11.05 hereof), but the Lessee shall continue to pay rent for all other Items of Equipment remaining subject to this Lease. Upon the sale or other disposition of such Item and payment of all other amounts due in respect of such Item under any other Operative Agreement, this Lease shall terminate with respect to such Item.

11.05. Disposition of Equipment. (a) Except as provided in Section 11.05(b) and (c) hereof, the Lessee shall, as agent for the Lessor, promptly dispose of such Item or Items of Equipment for which settlement has been made pursuant to Section 11.02 or 11.03 for the highest price reasonably obtainable for cash. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. If the Lessee has paid the Lessor the Casualty Value or, as the case may be, Termination Value and all other amounts due hereunder in respect of such Item of Equipment, the Lessee shall be entitled to receive and retain as to such Item of Equipment (i) all proceeds of the disposition thereof (including in the case of a Casualty Occurrence, any condemnation award or requisition payment and damages received by the Lessee or the Lessor but excluding any proceeds of insurance not required pursuant to Section 6.02 hereof but maintained at the sole discretion of the Lessee) up to the Casualty Value or, as the case may be, the Termination Value thereof, in each case not theretofore reimbursed, and (ii) in the case of a Casualty Occurrence only 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; provided, however, that the Lessee shall, in addition, be entitled to receive and retain all proceeds of insurance referred to in subclause (i) above. Neither the Lessee nor any affiliate (as hereinafter defined) of the Lessee shall be permitted to purchase any Item of Equipment with respect to which this Lease has been terminated pursuant to Section 11.02 or Section 11.03 except in the case of a termination resulting from a Casualty Occurrence described in clause (b), (c) or (d) of Section 11.01, but in such case such purchase price shall not be less than the fair market value of the Items so purchased. It is understood and agreed that the Lessor shall not be liable to the Lessee for any costs or expenses incurred by the Lessee in connection with the disposition of any Item of Equipment.

(b) In the event this Lease is terminated in respect of any Items of Equipment pursuant to Section 11.03 hereof, any disposition of such Items of Equipment shall be subject to the following procedure:

(i) Not less than 30 days after the Lessee has notified the Lessor of the Termination Date in respect of such Items, the Lessee shall submit to the Lessor in writing each bona fide offer to purchase such Items received by the Lessee from a prospective purchaser or purchasers;

(ii) With respect to bona fide offers which the Lessee submits to the Lessor on the 31st through the 79th day after the Lessee has notified the Lessor of such Termination Date, the Lessor shall accept or reject such bona fide offer in writing to the Lessee within 15 days after such submission;

(iii) With respect to bona fide offers which the Lessee submits to the Lessor on or after the 80th day after the Lessee has notified the Lessor of such Termination Date, the Lessor shall accept or reject such bona fide offer in writing to the Lessee within 5 days after such submission;

(iv) If the Lessor accepts any such bona fide offer, the Lessee shall dispose of such Items to such prospective purchaser or purchasers on terms and conditions specified in such bona fide offer and in accordance with the procedure set forth in Section 11.05(a) hereof;

(v) If on the Termination Date the Lessor has rejected all such bona fide offers, the Lessee shall return such Items to the Lessor in accordance with Section 11.05(d) hereof and the Lessor shall, concurrently with the payment by the Lessee of Termination Value to the Lessor for such Items,

pay to the Lessee at the time and place of payment set forth in Section 2.03 hereof an amount equal to the highest bona fide offer rejected by the Lessor pursuant to this Section 11.05(b) but in any event not to exceed the Termination Value of such Items.

(c) In the event of a Casualty Occurrence described in Section 11.01(d) in respect of any Item or Items of Equipment the Lessee shall forthwith pay the Casualty Value and all other amounts due hereunder in respect of such Item or Items of Equipment and the Lessee may, at any time thereafter, dispose of all, but not less than all, of such Items for the highest price reasonably obtainable for cash. Until such Item or Items have been so disposed of, the Lessee shall be entitled to receive and retain for its own account all sums payable by the United States of America or any agency thereof as compensation for such requisition, seizure or taking of such Item or Items up to an amount which is sufficient to completely repay to the Lessee the Casualty Value of such Item or Items theretofore paid to the Lessor plus interest at the rate of 9% per annum on the unpaid amount of such Casualty Value from the date of payment thereof by the Lessee until so repaid, and the balance, if any, shall be promptly paid to and retained by the Lessor as its sole property subject to the terms of the Trust Agreement. If, upon the cessation of such requisition, seizure or taking and the return of such Item or Items to the Lessor, the Lessee shall not have theretofore disposed of such Item or Items as hereinabove provided, the Lessee shall promptly dispose of all, but not less than all, of such Items for the highest price reasonably obtainable for cash. As to each Item of Equipment disposed of pursuant to this Section 11.05(c) the Lessee shall be entitled to receive and retain (i) all proceeds of the disposition up to that portion of the Casualty Value of such Item theretofore paid to the Lessor and not repaid to the Lessee pursuant to the second sentence of this Section 11.05(c) plus interest at the rate of 9% per annum on such unpaid amount, and (ii) 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. Except as provided in this Section 11.05(c), any such disposition shall be in the manner set forth in Section 11.05(a) hereof.

(d) If pursuant to Section 11.05(b)(v) the Lessor has rejected all bona fide offers submitted by the Lessee with respect to any Items of Equipment in respect of which this Lease shall have been terminated pursuant to Section 11.03 hereof, the Lessee at its own risk, cost and expense will, upon written notice given not later than the Termination Date with respect to such Items and specifying the destination to which such Items shall be shipped, tender such Items to a railroad FOT origin with freight prepaid consigned in accordance with the Lessor's notice; risk of loss shall pass to the Lessor upon such tender.

(e) 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 Second Interim Term. In the event the Lessee shall have notified the Lessor at least ten days prior to the commencement of the Second Interim Term hereunder with respect to any Item or Items of Equipment that such Item or Items have suffered a Casualty Occurrence the Casualty Value for such Item or Items shall be an amount equal to 103.500% of the Total Cost thereof plus the total amount of Interim Rent therefor, if any, to the date of payment of such Casualty Value, which date of payment shall not be more than ten days after the date of notice to the Lessor of such Casualty Occurrence. If, less than ten days prior to, or after, the commencement of the Second Interim Term hereunder with respect to any Item or Items of Equipment, the Lessee shall have notified the Lessor that such Item or Items have suffered a Casualty Occurrence prior to such commencement, the date of such Casualty Occurrence shall be deemed to be one day after such commencement.

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

11.09. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment on or after the Acceptance Date with respect to such Item.

11.10. Requisition or Taking. In the event of any requisition or taking of any Item of Equipment by any governmental authority which does not constitute a Casualty Occurrence under the provisions of Section 11.01 hereof, the Lessee's duty to pay Periodic Rent shall continue for the duration of such requisition or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for such requisition or taking.

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 Item of Equipment and to collect and retain the proceeds thereof to the extent permitted by this Section 11. So long as no Event of Default has occurred and is continuing, the proceeds obtained by the Lessee for any loss or damage which is not a Casualty Occurrence shall be retained by the Lessee and applied to the repair of such loss or damage to the extent such loss or damage has not theretofore been repaired.

SECTION 12. ANNUAL REPORTS.

12.01. Report as to Equipment. On or before April 30 in each year, commencing with the year 1979, the Lessee will furnish to the Lessor or its assigns (with a copy to the Trustor) an accurate statement signed by a Responsible Officer of the Lessee, as of the close of the preceding calendar year (i) showing the quantity, description and car numbers of the Items 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 Items of Equipment that to the actual knowledge of the Lessee have suffered a Casualty Occurrence 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 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. Within 120 days after the end of each fiscal year of the Lessee, 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 (Form 10-K) of the Lessee filed with the Securities and Exchange Commission, (ii) a written statement signed by a Responsible Officer 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 the action the Lessee is taking or proposes to take with respect thereto, (iii) upon the written request of the Lessor, the Trustor or the Secured Party, the quarterly report (Form 10-Q) of the Lessee filed with the Securities and Exchange Commission and (iv) such other financial information which is generally available to the public as the Lessor, the Trustor or the Secured Party may request.

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, subject to the Lessee's normal safety and security procedures, 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 Item of Equipment, the Lessee at its own risk, cost and expense, except as hereinafter provided, will:

(i) cause such Item to be transported, in good order and repair, ordinary wear and tear excepted, suitable for use in interchange (except for restrictions on interchange dependent upon the age or ownership of such Item), to such site or sites selected by the Lessee and designated in a written notice given to the Lessor which site or sites 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 Taft, Louisiana; and

(ii) store such Item at the site or sites listed in clause (i) above and designated by the Lessee for a period not exceeding 90 days (such storage period to commence for Items of the same description [i.e., covered hopper cars or tank cars] after 90% of the Items of such description have been delivered to such site or sites, it being agreed that as to the remaining 10% of the Items of such description the Lessee shall store such Items for a period not exceeding 90 days from and after the date the last Item thereof shall have been delivered to such site or sites); and

(iii) upon written notice from the Lessor to the Lessee given not later than the expiration of the storage period for such Item and specifying the destination to which such Item shall be shipped, tender such Item to a railroad FOT origin with freight prepaid consigned in accordance with the Lessor's notice; risk of loss shall pass to the Lessor upon such tender.

If the Lessor fails to notify the Lessee as provided in clause (iii) above, the Lessee shall have the right to remove or cause the removal of such Item or Items of Equipment from such site or sites and to store or cause the same to be stored at the cost, expense and risk of the Lessor at such place as the Lessee shall designate.

If any Item of Equipment has not arrived at the site designated by the Lessee pursuant to clause (i) above within 30 days after the expiration of the term of this Lease with respect to such Item, the Lessee shall pay to the Lessor for each day thereafter until such Item has arrived at such site an additional amount equal to 0.02965% of the Total Cost thereof in the case of a Group 1 Item and 0.03025% of the Total Cost thereof in the case of a Group 2 or 3 Item.

During the last 90 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 Item, to inspect the same at all reasonable times and places, subject to the Lessee's normal safety and security procedures, upon reasonable prior notice to the Lessee; 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 Item 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 Item.

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 or any amounts due and payable pursuant to Section 11 of the Participation Agreement and such default shall continue for more than ten days;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof;

(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 any other Operative Agreement to which the lessee is a party, 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) the Lessee shall become insolvent or bankrupt or admit in writing its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors; or

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

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

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

(2) From time to time, by notice in writing, to the Lessee, terminate this Lease with respect to one or more Items of Equipment, whereupon all right of the Lessee to the use of such Items shall absolutely cease and terminate, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of such Items of Equipment may be located with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and take possession of all or any such Items, cause the removal and storage at the Lessee's cost and expense

of any freight on board such Items, and thenceforth hold, possess and enjoy such Items of Equipment free from any right of the Lessee, or its successors or assigns, to use such Items of Equipment for any purpose whatever, but the Lessor shall, nevertheless, have the right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued (on a daily basis) to the date of such termination with respect to such Items of Equipment and also to recover forthwith from the Lessee (i) with respect to such Items of Equipment, as damages for loss of a bargain and not as a penalty, at the option of the Lessor, either (x) an amount which is equal to the excess of the sum of the present worth, at the time of such termination, of all Periodic Rent which would otherwise have accrued hereunder from the date of such termination to the end of the Primary Term or the then current Renewal Term with respect to each such Item of Equipment over the sum of the then present worth of the then fair market rental value of each such Item for such period, such present worth to be computed in each case on the basis of a 6% per annum discount, compounded semi-annually from the respective dates upon which Periodic Rent would have been payable hereunder had this Lease not been terminated with respect to such Items, or (y) an amount which is equal to the excess of the Casualty Value of each such Item of Equipment, calculated as if a Casualty Occurrence had occurred with respect to such Item at the time of such termination, over the fair market sales value of each such Item which the Lessor reasonably estimates to be obtainable for each such Item, and (ii) any damages and expenses (including, without limitation, fees and expenses of counsel and otherwise incurred in connection with the enforcement or other protection of the Security Agreement) 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.

For purposes of Section 14.02 above, the Fair Market Rental Value for any Item of Equipment shall be determined in the appraisal arrangements specified in Section 24.01 hereof and the Fair Market Sales Value for any Item of Equipment shall be determined in a similar manner with appropriate adjustments for sale rather than rental, with any appraisal expenses to be borne by the Lessee; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Sales Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Rental Value of such Item.

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

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 pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its cost, expense and risk:

(a) forthwith assemble and place (with storage prepaid on a monthly basis) such Item upon such storage tracks as the Lessor may designate in its notice of termination which is within 50 miles of a location referred to in Section 13(i) hereof or, in the absence of such designation, as the Lessee may select, provided, however, that the Lessee shall not be required to store such Item within the premises of a plant or other facility owned or controlled by the Lessee; and

(b) provide storage at the risk and expense of the Lessee for such Item on such tracks for a period not exceeding two years after written notice as provided in clause (a) above specifying the place of storage and the car number of the Item so stored; and

(c) transport such Item to any place on the lines of a railroad for shipment, all as the Lessor may designate.

Each Item of Equipment returned to the Lessor pursuant to this Section 15 shall be in good operating order and repair, reasonable wear and tear excepted, and suitable for use in interchange (except for restrictions on interchange dependent

upon the age or ownership of such Item). During any storage period pursuant to this Section 15, the Lessee shall, at its cost and expense, maintain and keep the Equipment in good operating order, repair and condition, reasonable wear and tear excepted, maintain the insurance coverage required by Section 6.02 hereof, and will permit the Lessor or any person designated by it, including the authorized representative of any prospective purchaser of any Item, to inspect the same, subject to the Lessee's normal safety and security procedures; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to or death of any such person or representative. In the event any Item is not assembled, delivered and stored as hereinabove provided within 60 days after the termination of this Lease pursuant to Section 14, the Lessee shall pay to the Lessor for each day thereafter until such Item is so assembled, delivered and stored an additional amount equal to 0.02965% of the Total Cost thereof in the case of a Group 1 Item and 0.03025% of the Total Cost thereof in the case of a Group 2 or 3 Item.

15.02. Intention of Parties. The delivery, storage and transporting of each Item 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 Item of Equipment to Lessor, to demand and take possession of such Item in the name and on behalf of Lessee from whosoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

The Lessor intends, with respect to all or some of the Items of Equipment, to grant a security interest in this Lease and all Basic Rent due and to become due hereunder in respect of such Items (subject to the exceptions and reservations set forth in the Security Agreement) to the Secured Party under the Security Agreement to be executed and delivered by the Lessor as collateral security for indebtedness of the Lessor incurred to finance the acquisition of such Items (the "Financed Items"). 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 Items and (ii) all other Items 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 Items and all other Items described in Schedule 1 hereto. Upon the execution and delivery of the Security Agreement the Lessor shall give written notice thereof to the Lessee and all Basic Rent due and to become due hereunder in respect of the Financed Items (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 Item or Items of Equipment or any part thereof, or any damage to or loss or destruction of any Item or Items 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 all of the Basic Rent in respect of the Financed Items (subject to the exceptions and reservations set forth in the Security Agreement) due and to become due hereunder, and (ii) so long as the Security Agreement shall be in effect (but 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 Items (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 pursuant to Section 17.02 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". Subject to Section 11 of the Participation Agreement, 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 Items 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 Item of Equipment shall be used wholly or in part in the United States. The Lessee agrees that it will not, without the prior written consent of the Lessor (which consent the Lessor agrees shall not be unreasonably withheld), assign this Lease or any of its rights hereunder or sublease or permit the use by others of any Item of Equipment; provided, however, that no such consent shall be required for (x) the sublease of any Item of Equipment or the use thereof for a period of three years or less, (y) the Triplelease (as hereinafter defined) of any Item of Equipment or (z) the use of any Item of Equipment by others in the usual interchange of traffic (subject to the limitation set forth in the first sentence of this Section 17.02). Any sublease or use for more than three years shall be, by its terms, expressly subject and subordinate to this Lease; provided, however, that in the event the Consolidated Net Worth of the Lessee shall be less than one billion dollars, the Lessee agrees that all subleases and user arrangements other than Tripleleases or the use of any Item of Equipment by others in the usual interchange of traffic entered into thereafter shall be expressly subject and subordinate to this Lease and shall provide to the Lessor 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. As used herein, a "Triplelease" is a sublease of an Item of Equipment to a vendor, consignor, vendee or consignee of the Lessee (or of any person whose rights hereunder are derived from, through or under the Lessee) for a term not in excess of the time expended during the transportation of a shipment therein to or from such vendor, consignor, vendee or consignee, including time expended during loading or unloading of such shipment or while awaiting such loading or unloading.

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 under this paragraph of this Section 17.02 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, or amounts expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also interest on such amounts at a rate per annum equal to the greater of (i) 9.95% or (ii) the sum of (A) the rate from time to time charged by Chemical Bank to its most credit-worthy corporate borrowers plus (B) 2-1/2%, in each case for the period of time during which such amounts are overdue or expended and not repaid; provided, however, that such interest rate shall not exceed the maximum legally permissible rate. Any interest due under this Section 19 shall not constitute additional Rent.

Interest hereunder shall be computed on the Bond Basis.

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: Trust Company for USL, Inc.,
as Trustee under U. C.
Trust No. 16
1211 West 22nd Street
Oak Brook, Illinois 60521
Attention: Vice President

(with copies of such notice to be sent to:

United States Lease Financing, Inc.
633 Battery Street
San Francisco, California 94111
Attention: Vice President of
Lease Underwriting

and

Chemical Bank
55 Water Street, Suite 1822
New York, New York 10041
Attention: Manager, Specialized
Leasing)

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 to:

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 an Item of Equipment, the Lessee may notify the Lessor in writing that the Lessee desires a determination of the Fair Market Sales Value and the Fair Market Rental Value of such Item of Equipment as of the end of such Term and the Fair Market Sales Value of such Item of Equipment as of the end of the next succeeding Renewal Term. 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 Item 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 an Item of Equipment under the provisions of Section 8

hereof shall not be deemed to constitute a part of such Item. The Lessee's request for a determination of Fair Market Sales Values and Fair Market Rental Value shall not obligate the Lessee to exercise 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 each pay its own appraiser and shall divide and pay equally any other such costs and expenses.

"Appraisal Procedure" shall mean the following procedure for determining the Fair Market Sales Value or the Fair Market Rental Value, as the case may be, of any Item of Equipment: If the Lessee shall have given written notice to the Lessor requesting determination of such value by the Appraisal Procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within ten Business Days after such notice is given, each party shall appoint an independent appraiser within 15 Business Days after such notice is given, and the two appraisers so appointed shall within 20 Business Days after such notice is given, appoint a third qualified independent appraiser. If no such third appraiser is appointed within 20 Business Days after such notice is given, either the Lessee or the Lessor may promptly apply to the American Arbitration Association to make such appointment, and both the Lessor and the Lessee shall be bound by any such appointment. 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 Item of Equipment within 60 days after his or their appointment. If the parties shall have appointed a single appraiser, his determination of value shall be final. If three appraisers shall be appointed, the 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 Items of Equipment of the same type and description (i.e., all covered hopper cars or all tank cars or both) 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 (i) Periodic Rent during the Renewal Term shall be the Fair Market Rental Value of such Items of Equipment as of the end of the immediately prior Term (ii) the Casualty Values and Termination Values shall be determined in accordance with Section 24.04 hereof and (iii) the option of the Lessee to terminate this Lease pursuant to Section 11.03 shall be exercisable only on Payment Dates and not on the eighteenth day of any calendar month during such Renewal Term. The Lessee shall give to the Lessor written notice at

least 180 days, and not more than 540 days, 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 Item 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 Item, then such notice shall be void and of no effect with respect to such Item and the Lessee shall settle for such Item 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 Item of Equipment during any Renewal Term shall provide that the Casualty Value and Termination Value as of the commencement of such Renewal Term shall be the Fair Market Sales Value of such Item of Equipment as of the end of the Primary Term or the 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 Item of Equipment as of the end of such Renewal Term (determined in accordance with Section 24.01 hereof).

24.05. Right of First Refusal. For so long as no Event of Default has occurred and is continuing, the Lessee shall have a right of first refusal with respect to any sale and purchase of each Item of Equipment (except sales pursuant to Section 11.05 hereof) to any Person within two years after the expiration of the then current Term of this Lease relating to such Item of Equipment on the following terms and conditions:

(a) The Lessor shall give the Lessee advance notice of its intent to sell such Item;

(b) The Lessor shall notify the Lessee of the amount and all other material terms and conditions of the first arm's-length bona fide offer to purchase such Item which the Lessor is prepared to accept promptly after receipt of the same;

(c) After receipt of notice of such offer the Lessee shall give the Lessor prompt written notice (i) of the exercise of such right and the date (which shall be not more than 15 days from the date on which the Lessee receives such notice from the Lessor) on which such purchase is to occur or (ii) the Lessee's intent not to purchase or lease such Item;

(d) The purchase price to be paid by the Lessee shall be the amount of such bona fide offer as certified by the Lessor and shall be paid in such funds as specified in such bona fide offer;

(e) All transfer taxes, reasonable costs and out-of-pocket expenses incurred by the Lessor or the Trustor in connection with such sale to the Lessee shall be paid by the Lessee; and

(f) The Lessor shall transfer such Item to the Lessee or its nominee on the date for payment designated pursuant to Section 24.05(c) upon fulfillment of the foregoing conditions by delivering such instruments of transfer and conveyance as are required by such bona fide offer.

If the Lessee shall not have so elected to purchase such Item, the Lessor may sell such Item at a price and upon other terms and conditions no less favorable to the Lessor than those specified in the Lessor's notice pursuant to Section 24.05(b).

SECTION 25. MISCELLANEOUS.

25.01. Concerning the Lessor. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, covenants, undertakings and agreements herein (including, without limitation, those set forth in Section 11.05(b)(v) hereof) made on the part of the Lessor, while in form purporting to be the representations, covenants, undertakings and agreements of Trust Company for USL, Inc. are nevertheless each and every one of them, made and intended not as representations, covenants, undertakings and agreements of Trust Company for USL, Inc. in its individual corporate capacity or for the purpose or with the intention of binding Trust Company for USL, Inc. in its individual corporate capacity, but are made and intended for the purposes of binding only the Trust and the Trust Estate as such terms are used in the Trust Agreement; said Trust is the Lessor hereunder, and this Lease is executed and delivered by Trust Company for USL, Inc., not in its individual corporate capacity but solely in the exercise of the powers conferred upon it as such Trustee; and no liability or responsibility in the individual corporate capacity of Trust Company for USL, Inc. is assumed by nor shall at any time be asserted or enforceable against Trust Company for USL, Inc. or any incorporator or any past, present or future subscriber to the capital stock of Trust Company for USL, Inc., on account of this Lease or on account of any representation, covenant, undertaking or agreement of Trust Company for USL, Inc. in this Lease contained, either expressed or implied, all such individual corporate liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust and the Trust Estate for satisfaction of the same.

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

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

25.04. Effect and Modification of Lease. This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Equipment and supersedes all other agreements, oral or written, with respect thereto, except the 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 Interim Lender, 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 Interim Lender.

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.

TRUST COMPANY FOR USL, INC.,
as Trustee under a Trust
Agreement dated as of
July 1, 1978

By *Walter M. [Signature]*
Its President
Lessor



Attest:

Richard A. [Signature]
Assistant Secretary

UNION CARBIDE CORPORATION

By *A. E. [Signature]*
Its TREASURER
Lessee

Attest:

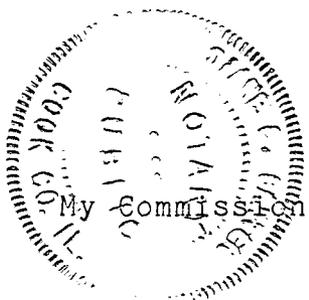
Blaise R. [Signature]
Asst. Secretary



STATE OF ILLINOIS)
) SS:
COUNTY OF COOK)

On this 10th day of October, 1978, before me personally appeared MYRON M. CHRISTY, to me personally known, who, being by me duly sworn, says that he is a ~~Vice~~ President of TRUST COMPANY FOR USL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument 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.

Diane D. Baxter
Notary Public



My Commission Expires: NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXPIRES JUNE 30 1981
ISSUED THRU ILLINOIS NOTARY ASSOC.

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

On this 18th day of October, 1978, before me personally appeared S.E. NIGHTINGALE, to me personally known, who, being by me duly sworn, says that he is a 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.

Diane E. Buckland
Notary Public
DIANE E. BUCKLAND
Notary Public, State of New York
No. 41-4646611
Qualified in Queens County
Certificate Filed with N.Y. County Clerk
Commission Expires March 30, 1979



My Commission Expires:

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>	<u>Estimated Time of Delivery</u>
177	100-ton Railroad Covered Hopper Cars	RAIX 57220 through RAIX 57396;	October, 1978 January, 1979
243	100-ton Railroad Tank Cars	RAIX 2359 through RAIX 2369; RAIX 2540 through RAIX 2575; RAIX 2701 through RAIX 2717; RAIX 3001 through RAIX 3009; RAIX 3401 through RAIX 3456; RAIX 6577 through RAIX 6650; RAIX 8025 through RAIX 8059; RAIX 9149 through RAIX 9153.	December, 1978 June, 1979

(U. C. Trust No. 16)

SCHEDULE 1
(to Lease of Railroad Equipment)

SCHEDULE OF CASUALTY VALUE

Group 1 Equipment - Leveraged
Casualty Values are expressed as a percentage of Total Cost
and are exclusive of the Periodic Rent then due

PAYMENT DATE -----	CASUALTY VALUE PERCENTAGES -----	PAYMENT DATE -----	CASUALTY VALUE PERCENTAGES -----
1/18/79	103.511	1/18/95	72.175
7/18/79	105.626	7/18/95	69.579
1/18/80	107.384	1/18/96	66.950
7/18/80	108.864	7/18/96	64.277
1/18/81	109.881	1/18/97	61.571
7/18/81	110.686	7/18/97	58.820
1/18/82	111.271	1/18/98	56.035
7/18/82	111.652	7/18/98	53.205
1/18/83	111.812	1/18/99	50.341
7/18/83	111.784	7/18/99	47.430
1/18/84	111.554	1/18/00	44.486
7/18/84	111.152	7/18/00	41.495
1/18/85	110.574	1/18/01	38.470
7/18/85	109.868	7/18/01	35.397
1/18/86	109.066	1/18/02	32.291
7/18/86	108.176	7/18/02	29.136
1/18/87	107.203	1/18/03	25.946
7/18/87	106.154	7/18/03	22.738
1/18/88	104.287	1/18/04	20.000
7/18/88	102.332		
1/18/89	100.303		
7/18/89	98.204		
1/18/90	96.058		
7/18/90	93.851		
1/18/91	91.600		
7/18/91	89.298		
1/18/92	86.966		
7/18/92	84.586		
1/18/93	82.178		
7/18/93	79.728		
1/18/94	77.249		
7/18/94	74.727		

SCHEDULE OF CASUALTY VALUE

Group 2 Equipment - Leveraged
Casualty Values are expressed as a percentage of Total Cost
and are exclusive of the Periodic Rent then due

PAYMENT DATE	CASUALTY VALUE PERCENTAGES	PAYMENT DATE	CASUALTY VALUE PERCENTAGES
7/18/77	103.440	1/18/95	78.562
1/18/80	104.853	7/18/95	75.932
7/18/80	107.116	1/18/96	73.369
1/18/81	109.066	7/18/96	70.713
7/18/81	110.715	1/18/97	68.022
1/18/82	111.834	7/18/97	65.236
7/18/82	112.724	1/18/98	62.515
1/18/83	113.372	7/18/98	59.697
7/18/83	113.803	1/18/99	56.847
1/18/84	113.994	7/18/99	53.949
7/18/84	113.982	1/18/00	51.016
1/18/85	113.752	7/18/00	48.036
7/18/85	113.336	1/18/01	45.020
1/18/86	112.730	7/18/01	41.956
7/18/86	111.995	1/18/02	38.857
1/18/87	111.162	7/18/02	35.707
7/18/87	110.242	1/18/03	32.526
1/18/88	109.238	7/18/03	29.293
7/18/88	108.157	1/18/04	26.025
1/18/89	106.242	7/18/04	22.745
7/18/89	104.238	1/18/05	20.000
1/18/90	102.160		
7/18/90	100.010		
1/18/91	97.813		
7/18/91	95.553		
1/18/92	93.249		
7/18/92	90.893		
1/18/93	88.506		
7/18/93	86.069		
1/18/94	83.605		
7/18/94	81.099		

SCHEDULE OF CASUALTY VALUE

Group 3 Equipment - Leveraged
Casualty Values are expressed as a percentage of Total Cost
and are exclusive of the Periodic Rent then due

PAYMENT DATE -----	CASUALTY VALUE PERCENTAGES -----	PAYMENT DATE -----	CASUALTY VALUE PERCENTAGES -----
1/18/80	103.861	1/18/96	73.654
7/18/80	106.363	7/18/96	71.000
1/18/81	108.456	1/18/97	68.313
7/18/81	110.236	7/18/97	65.578
1/18/82	111.487	1/18/98	62.807
7/18/82	112.498	7/18/98	59.991
1/18/83	113.260	1/18/99	57.140
7/18/83	113.792	7/18/99	54.242
1/18/84	114.072	1/18/00	51.309
7/18/84	114.137	7/18/00	48.328
1/18/85	113.973	1/18/01	45.312
7/18/85	113.612	7/18/01	42.248
1/18/86	113.044	1/18/02	39.148
7/18/86	112.311	7/18/02	36.000
1/18/87	111.473	1/18/03	32.815
7/18/87	110.547	7/18/03	29.582
1/18/88	109.537	1/18/04	26.314
7/18/88	108.450	7/18/04	23.043
1/18/89	106.531	1/18/05	20.000
7/18/89	104.522		
1/18/90	102.438		
7/18/90	100.283		
1/18/91	98.081		
7/18/91	95.816		
1/18/92	93.507		
7/18/92	91.146		
1/18/93	88.755		
7/18/93	86.314		
1/18/94	83.861		
7/18/94	81.361		
1/18/95	78.834		
7/18/95	76.259		

SCHEDULE OF TERMINATION VALUE

Group 1 Equipment - Leveraged
 Termination Values ("T.V.P.") are expressed as a percentage of Total Cost
 and are inclusive of the Periodic Rent then due

<u>TERMINATION DATE</u>	<u>T.V.P.</u>						
1/18/89	100.704	1/18/92	86.156	1/18/95	69.788	1/18/98	51.595
2/18/89	97.403	2/18/92	82.944	2/18/95	66.617	2/18/98	48.449
3/18/89	98.208	3/18/92	83.838	3/18/95	67.551	3/18/98	49.408
4/18/89	99.018	4/18/92	84.734	4/18/95	68.486	4/18/98	50.367
5/18/89	99.827	5/18/92	85.634	5/18/95	69.426	5/18/98	51.332
6/18/89	100.637	6/18/92	86.534	6/18/95	70.366	6/18/98	52.298
7/18/89	98.425	7/18/92	83.541	7/18/95	66.887	7/18/98	48.367
8/18/89	95.140	8/18/92	80.352	8/18/95	63.720	8/18/98	45.226
9/18/89	95.961	9/18/92	81.267	9/18/95	64.659	9/18/98	46.190
10/18/89	96.783	10/18/92	82.188	10/18/95	65.603	10/18/98	47.160
11/18/89	97.604	11/18/92	83.108	11/18/95	66.547	11/18/98	48.129
12/18/89	98.425	12/18/92	84.028	12/18/95	67.491	12/18/98	49.099
1/18/90	96.090	1/18/93	80.888	1/18/96	63.938	1/18/99	45.087
2/18/90	92.814	2/18/93	77.700	2/18/96	60.775	2/18/99	41.949
3/18/90	93.642	3/18/93	78.619	3/18/96	61.717	3/18/99	42.917
4/18/90	94.474	4/18/93	79.538	4/18/96	62.660	4/18/99	43.885
5/18/90	95.307	5/18/93	80.462	5/18/96	63.608	5/18/99	44.860
6/18/90	96.140	6/18/93	81.385	6/18/96	64.556	6/18/99	45.834
7/18/90	93.686	7/18/93	78.182	7/18/96	60.932	7/18/99	41.742
8/18/90	90.426	8/18/93	75.000	8/18/96	57.773	8/18/99	38.610
9/18/90	91.272	9/18/93	75.923	9/18/96	58.720	9/18/99	39.583
10/18/90	92.119	10/18/93	76.851	10/18/96	59.672	10/18/99	40.562
11/18/90	92.967	11/18/93	77.779	11/18/96	60.625	11/18/99	41.541
12/18/90	93.814	12/18/93	78.707	12/18/96	61.577	12/18/99	42.520
1/18/91	91.229	1/18/94	75.435	1/18/97	57.877	1/18/00	38.344
2/18/91	87.981	2/18/94	72.255	2/18/97	54.722	2/18/00	35.215
3/18/91	88.838	3/18/94	73.182	3/18/97	55.672	3/18/00	36.192
4/18/91	89.698	4/18/94	74.109	4/18/97	56.623	4/18/00	37.169
5/18/91	90.561	5/18/94	75.041	5/18/97	57.579	5/18/00	38.153
6/18/91	91.425	6/18/94	75.972	6/18/97	58.536	6/18/00	39.136
7/18/91	88.712	7/18/94	72.633	7/18/97	54.761	7/18/00	34.878
8/18/91	85.485	8/18/94	69.459	8/18/97	51.611	8/18/00	31.755
9/18/91	86.363	9/18/94	70.390	9/18/97	52.566	9/18/00	32.737
10/18/91	87.245	10/18/94	71.326	10/18/97	53.527	10/18/00	33.726
11/18/91	88.127	11/18/94	72.262	11/18/97	54.488	11/18/00	34.714
12/18/91	89.008	12/18/94	73.198	12/18/97	55.449	12/18/00	35.700

TERMINATION DATE	T.V.P.	TERMINATION DATE	T.V.P.
-----	-----	-----	-----
1/18/01	31.357	1/18/04	0.000
2/18/01	28.238		
3/18/01	29.224		
4/18/01	30.210		
5/18/01	31.204		
6/18/01	32.197		
7/18/01	27.766		
8/18/01	24.652		
9/18/01	25.644		
10/18/01	26.642		
11/18/01	27.641		
12/18/01	28.639		
1/18/02	24.118		
2/18/02	21.014		
3/18/02	22.015		
4/18/02	23.016		
5/18/02	24.025		
6/18/02	25.033		
7/18/02	20.397		
8/18/02	17.304		
9/18/02	18.316		
10/18/02	19.335		
11/18/02	20.353		
12/18/02	21.372		
1/18/03	16.616		
2/18/03	13.554		
3/18/03	14.597		
4/18/03	15.642		
5/18/03	16.699		
6/18/03	17.757		
7/18/03	12.790		
8/18/03	9.771		
9/18/03	10.858		
10/18/03	11.959		
11/18/03	13.059		
12/18/03	14.160		

SCHEDULE OF TERMINATION VALUE

Group 2 Equipment - Leveraged
 Termination Values ("T.V.P.") are expressed as a percentage of Total Cost
 and are inclusive of the Periodic Rent then due

<u>TERMINATION DATE</u>	<u>T.V.P.</u>						
		1/18/92	92.961	1/18/95	76.831	1/18/98	58.904
		2/18/92	89.649	2/18/95	73.589	2/18/98	55.686
		3/18/92	90.525	3/18/95	74.535	3/18/98	56.657
		4/18/92	91.404	4/18/95	75.482	4/18/98	57.628
		5/18/92	92.287	5/18/95	76.434	5/18/98	58.605
		6/18/92	93.169	6/18/95	77.386	6/18/98	59.581
		7/18/92	90.390	7/18/95	73.971	7/18/98	55.723
		8/18/92	87.099	8/18/95	70.733	8/18/98	52.510
		9/18/92	87.997	9/18/95	71.684	9/18/98	53.486
		10/18/92	88.898	10/18/95	72.641	10/18/98	54.467
		11/18/92	89.799	11/18/95	73.597	11/18/98	55.448
		12/18/92	90.700	12/18/95	74.553	12/18/98	56.430
1/18/90	102.643	1/18/93	87.779	1/18/96	71.066	1/18/99	52.491
2/18/90	99.278	2/18/93	84.504	2/18/96	67.832	2/18/99	49.282
3/18/90	100.101	3/18/93	85.417	3/18/96	68.786	3/18/99	50.261
4/18/90	100.928	4/18/93	86.332	4/18/96	69.741	4/18/99	51.241
5/18/90	101.756	5/18/93	87.252	5/18/96	70.701	5/18/99	52.226
6/18/90	102.584	6/18/93	88.172	6/18/96	71.661	6/18/99	53.212
7/18/90	100.314	7/18/93	85.108	7/18/96	68.103	7/18/99	49.195
8/18/90	96.965	8/18/93	81.855	8/18/96	64.874	8/18/99	45.991
9/18/90	97.804	9/18/93	82.790	9/18/96	65.833	9/18/99	46.975
10/18/90	98.644	10/18/93	83.731	10/18/96	66.797	10/18/99	47.965
11/18/90	99.484	11/18/93	84.671	11/18/96	67.761	11/18/99	48.956
12/18/90	100.323	12/18/93	85.611	12/18/96	68.726	12/18/99	49.946
1/18/91	97.928	1/18/94	82.398	1/18/97	65.093	1/18/00	45.846
2/18/91	94.587	2/18/94	79.148	2/18/97	61.867	2/18/00	42.646
3/18/91	95.434	3/18/94	80.086	3/18/97	62.829	3/18/00	43.634
4/18/91	96.284	4/18/94	81.025	4/18/97	63.792	4/18/00	44.622
5/18/91	97.136	5/18/94	81.969	5/18/97	64.760	5/18/00	45.617
6/18/91	97.988	6/18/94	82.913	6/18/97	65.729	6/18/00	46.611
7/18/91	95.472	7/18/94	79.636	7/18/97	62.023	7/18/00	42.431
8/18/91	92.148	8/18/94	76.390	8/18/97	58.802	8/18/00	39.236
9/18/91	93.012	9/18/94	77.334	9/18/97	59.769	9/18/00	40.229
10/18/91	93.878	10/18/94	78.282	10/18/97	60.742	10/18/00	41.228
11/18/91	94.745	11/18/94	79.230	11/18/97	61.714	11/18/00	42.228
12/18/91	95.611	12/18/94	80.178	12/18/97	62.687	12/18/00	43.227

TERMINATION DATE	T.V.P.	TERMINATION DATE	T.V.P.
1/18/01	38.961	1/18/04	16.777
2/18/01	35.769	2/18/04	13.653
3/18/01	36.767	3/18/04	14.718
4/18/01	37.764	4/18/04	15.784
5/18/01	38.768	5/18/04	16.865
6/18/01	39.772	6/18/04	17.946
7/18/01	35.422	7/18/04	12.880
8/18/01	32.236	8/18/04	9.803
9/18/01	33.239	9/18/04	10.915
10/18/01	34.248	10/18/04	12.041
11/18/01	35.257	11/18/04	13.169
12/18/01	36.266	12/18/04	14.296
1/18/02	31.827	1/18/05	0.000
2/18/02	28.645		
3/18/02	29.652		
4/18/02	30.659		
5/18/02	31.672		
6/18/02	32.686		
7/18/02	28.160		
8/18/02	24.984		
9/18/02	25.996		
10/18/02	27.015		
11/18/02	28.034		
12/18/02	29.053		
1/18/03	24.436		
2/18/03	21.269		
3/18/03	22.290		
4/18/03	23.312		
5/18/03	24.341		
6/18/03	25.369		
7/18/03	20.637		
8/18/03	17.481		
9/18/03	18.513		
10/18/03	19.552		
11/18/03	20.592		
12/18/03	21.631		

SCHEDULE OF TERMINATION VALUE

Group 3 Equipment - Leveraged
Termination Values ("T.V.P.") are expressed as a percentage of Total Cost
and are inclusive of the Periodic Rent then due

<u>TERMINATION DATE</u>	<u>T.V.P.</u>						
1/18/90	102.521	1/18/93	87.628	1/18/96	70.950	1/18/99	52.384
2/18/90	99.163	2/18/93	84.358	2/18/96	67.720	2/18/99	49.177
3/18/90	99.994	3/18/93	85.276	3/18/96	68.679	3/18/99	50.159
4/18/90	100.829	4/18/93	86.197	4/18/96	69.637	4/18/99	51.142
5/18/90	101.664	5/18/93	87.122	5/18/96	70.603	5/18/99	52.130
6/18/90	102.500	6/18/93	88.047	6/18/96	71.568	6/18/99	53.119
7/18/90	100.187	7/18/93	84.952	7/18/96	67.991	7/18/99	49.088
8/18/90	96.845	8/18/93	81.704	8/18/96	64.766	8/18/99	45.886
9/18/90	97.691	9/18/93	82.645	9/18/96	65.728	9/18/99	46.873
10/18/90	98.538	10/18/93	83.593	10/18/96	66.697	10/18/99	47.866
11/18/90	99.385	11/18/93	84.542	11/18/96	67.667	11/18/99	48.859
12/18/90	100.232	12/18/93	85.491	12/18/96	68.636	12/18/99	49.852
1/18/91	97.796	1/18/94	82.254	1/18/97	64.984	1/18/00	45.739
2/18/91	94.462	2/18/94	79.008	2/18/97	61.762	2/18/00	42.541
3/18/91	95.316	3/18/94	79.951	3/18/97	62.728	3/18/00	43.531
4/18/91	96.172	4/18/94	80.895	4/18/97	63.694	4/18/00	44.522
5/18/91	97.031	5/18/94	81.847	5/18/97	64.666	5/18/00	45.519
6/18/91	97.890	6/18/94	82.798	6/18/97	65.638	6/18/00	46.516
7/18/91	95.335	7/18/94	79.498	7/18/97	61.915	7/18/00	42.323
8/18/91	92.017	8/18/94	76.257	8/18/97	58.697	8/18/00	39.130
9/18/91	92.888	9/18/94	77.205	9/18/97	59.668	9/18/00	40.126
10/18/91	93.761	10/18/94	78.161	10/18/97	60.644	10/18/00	41.128
11/18/91	94.634	11/18/94	79.117	11/18/97	61.620	11/18/00	42.130
12/18/91	95.506	12/18/94	80.073	12/18/97	62.596	12/18/00	43.131
1/18/92	92.820	1/18/95	76.703	1/18/98	58.796	1/18/01	38.853
2/18/92	89.513	2/18/95	73.465	2/18/98	55.582	2/18/01	35.664
3/18/92	90.395	3/18/95	74.416	3/18/98	56.556	3/18/01	36.663
4/18/92	91.281	4/18/95	75.367	4/18/98	57.530	4/18/01	37.663
5/18/92	92.169	5/18/95	76.326	5/18/98	58.510	5/18/01	38.669
6/18/92	93.058	6/18/95	77.284	6/18/98	59.490	6/18/01	39.675
7/18/92	90.244	7/18/95	73.848	7/18/98	55.616	7/18/01	35.314
8/18/92	86.958	8/18/95	70.615	8/18/98	52.406	8/18/01	32.130
9/18/92	87.862	9/18/95	71.570	9/18/98	53.384	9/18/01	33.135
10/18/92	88.769	10/18/95	72.533	10/18/98	54.369	10/18/01	34.145
11/18/92	89.675	11/18/95	73.495	11/18/98	55.353	11/18/01	35.156
12/18/92	90.582	12/18/95	74.458	12/18/98	56.338	12/18/01	36.167

TERMINATION DATE	T.V.F.	TERMINATION DATE	T.V.F.
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1/18/02	31.718	1/18/05	0.000
2/18/02	28.538		
3/18/02	29.546		
4/18/02	30.555		
5/18/02	31.570		
6/18/02	32.586		
7/18/02	28.051		
8/18/02	24.876		
9/18/02	25.890		
10/18/02	26.910		
11/18/02	27.931		
12/18/02	28.951		
1/18/03	24.325		
2/18/03	21.160		
3/18/03	22.182		
4/18/03	23.205		
5/18/03	24.235		
6/18/03	25.265		
7/18/03	20.526		
8/18/03	17.371		
9/18/03	18.405		
10/18/03	19.445		
11/18/03	20.485		
12/18/03	21.526		
1/18/04	16.666		
2/18/04	13.544		
3/18/04	14.610		
4/18/04	15.677		
5/18/04	16.761		
6/18/04	17.844		
7/18/04	12.778		
8/18/04	9.704		
9/18/04	10.818		
10/18/04	11.949		
11/18/04	13.079		
12/18/04	14.211		

LEASE SUPPLEMENT NO. _____
(U. C. Trust No. 16) _____

THIS LEASE SUPPLEMENT NO. _____ dated as of _____, 197____
between TRUST COMPANY FOR USL, INC., as Trustee under U.C. Trust
No. 16 (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 July 1, 1978 (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 Items 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 counterparts shall constitute but one and the same instrument.

TRUST COMPANY FOR USL, INC.,
as Trustee under U. C. Trust
No. 16

By _____
Its _____

Lessor

UNION CARBIDE CORPORATION

By _____
Its _____

Lessee

Description of Items of
Equipment, including car
numbers:

Manufacturer:

Total Cost: \$ _____ per Item 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 Primary
Term

Interim Rent: \$ _____ per Item of Equipment
an aggregate of \$ _____ payable
on the date of commencement of
the [Primary Term] [Second
Interim Term]

Periodic Rent for Second
Interim Term (if any): \$ _____ per Item of Equipment
or an aggregate of \$ _____
payable on the date of commence-
ment of the Primary Term

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

(i) seventeen equal semiannual install-
ments in the amount of \$ _____
per Item of Equipment or an aggre-
gate of \$ _____ on the eighteenth
day of July , 197_ and the eighteenth
day of each January and July
thereafter to and including the
eighteenth day of July, 198_,
followed by

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

CERTIFICATE OF ACCEPTANCE

Dated _____, 197_

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

Pursuant to Section 1.02 of the Lease of Railroad Equipment dated as of July 1, 1978 (the "Lease") between the Lessee and Trust Company for USL, Inc., as Trustee (the "Lessor"), the Lessee has inspected and accepted delivery of the following units of railroad equipment (the "Items of Equipment"):

Description of
Cars:

Place Accepted:

Date Accepted:

Number of Items:

Numbered:

Each Item 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 Item, such Item of Equipment has not been put into service prior to the date hereof, and at the time of acceptance of such Item, 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 in all material respects as if made on and with respect to the date hereof and the Lessee has performed or complied with all agreements and conditions contained in the Lease and the Participation Agreement which are required to be performed or complied with by the Lessee on or before the date hereof.

EXHIBIT B
(to Lease of Railroad Equipment)

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

[Seal]