

REGISTRATION NO. 14226, FILED 2426

JUL 8 1985 3:22

SIDLEY & AUSTIN

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1722 EYE STREET, N.W.
WASHINGTON, D.C. 20006
TELEPHONE 202-429-4000
TELEX 89-463

INTERSTATE COMMERCE COMMISSION

ONE FIRST NATIONAL PLAZA
CHICAGO, ILLINOIS 60603
312: 853-7000 TELEX 25-4364

2049 CENTURY PARK EAST
LOS ANGELES, CALIFORNIA 90067
213: 553-8100 TELEX 18-1391

520 MADISON AVENUE
NEW YORK, NEW YORK 10022
212: 418-2100 TELEX 97-1696

31 ST. JAMES'S SQUARE
LONDON, SW1Y 4JR, ENGLAND
44-1: 930-5596 TELEX 21781

P.O. BOX 190
MUSCAT, SULTANATE OF OMAN
968: 722-411 TELEX 5266

P.O. BOX 4619
DEIRA, DUBAI-U.A.E.
9714-283194 TELEX 47216

5 SHENTON WAY
SINGAPORE 0106
65: 224-5000 TELEX 28754

P.O. BOX 8650
RIYADH, SAUDI ARABIA
966-1-463-4160 TELEX 204947

SIDLEY & AUSTIN & NAGUIB
AHMED NESSIM STREET, 3
GIZA, CAIRO, EGYPT
202: 729-499 TELEX 93750

July 8, 1985

5-189A055

Mr. James H. Bayne
Secretary
Interstate Commerce Commission
Room 2215
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

No.
Date JUL 8 1985
Fee \$ 10.00
ICC Washington, D. C.

100 OFFICE OF THE SECRETARY
JUL 8 9 26 AM '85
MOTOR OPERATING UNIT

Dear Mr. Bayne:

Enclosed herewith are an original and one copy of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the United States Code.

The document is a lease agreement, a primary document, dated June 26, 1985.

The names and addresses of the parties to the Lease of Railroad Equipment are as follows:

Lessor:	PROCOR LIMITED 2001 Speers Road Oakville, Ontario, CANADA L6J 5E1
Lessee:	CANADIAN NATIONAL RAILWAY COMPANY 935 de La Gauchetiere Street West Montreal, Quebec, CANADA H3B 2M9

A description of the equipment covered by the Lease of Railroad Equipment follows:

Type of Equipment:	SD50F 3600 HP, Electric Locomotives
--------------------	--

*Counterpart
J.H. Bayne*

1942

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Mr. James H. Bayne
July 8, 1985
Page 2

Specifications: Builder's Proposal DDL 1239 dated December 9, 1983, CN's letter dated November 11, 1983, CN's letter dated November 15, 1983, the Builder's proposal letter dated December 9, 1983, the Builder's letter dated December 14, 1983, the Builder's letter dated December 22, 1983, the Builder's telex dated February 22, 1984, CN's letter dated February 23, 1984, the Builder's telex dated March 21, 1984, CN's letter dated March 23, 1984, the Builder's letter dated March 30, 1984, the Builder's letter dated November 20, 1984, CN's letter dated December 4, 1984, and the Builder's letter dated December 17, 1984.

Quantity: 23

Identification Marks: "OWNERSHIP SUBJECT TO SECURITY AGREEMENTS FILED WITH REGISTRAR GENERAL OF CANADA AND I.C.C."

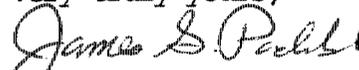
Lessee's Road Numbers (Both Inclusive): CN 5408 through CN 5430

A fee of \$10.00 is enclosed. Please return the original after recordation to the undersigned at the address listed above.

A short summary of the Lease of Railroad Equipment to appear in the index follows:

"Lease agreement between PROCOR LIMITED, 2001 Speers Road, Oakville, Ontario, Canada, L6J 5E1 and CANADIAN NATIONAL RAILWAY COMPANY, 935 de La Gauchetiere Street West, Montreal, Quebec, Canada, H3B 2M9, dated June 26, 1985, covering 23 electric locomotives.

Very truly yours,


James G. Pachulski

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

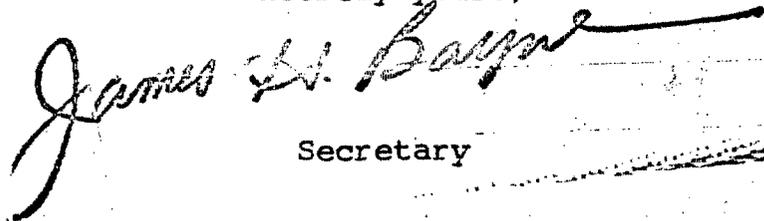
OFFICE OF THE SECRETARY

James G. Pachulski
Sidley & Austin
1722 Eye Street, NW.
Washington, DC. 20006

Dear Sir:

The enclosed document (s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on July 8, 1985 at 3:30 PM and assigned re-
recording number (s). 14726

Sincerely yours,


Secretary

Enclosure(s)

JUL 8 1985 3 21 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of June 26, 1985

Between

CANADIAN NATIONAL RAILWAY COMPANY

Lessee,

and

PROCOR LIMITED

Lessor.



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* This Table of Contents has been included in this document for convenience only and does not form part of, or affect any construction or interpretation of, this document.



LEASE OF RAILROAD EQUIPMENT dated as of June 26, 1985, between CANADIAN NATIONAL RAILWAY COMPANY, a body corporate duly existing under the laws of Canada (the "Lessee"), and PROCOR LIMITED, a body corporate duly existing under the laws of Canada (the "Lessor").

WHEREAS:

The Lessee has assigned to the Lessor pursuant to an assignment dated as of the date hereof (the "Purchase Order Assignment") the interest of the Lessee under a manufacturing agreement dated March 30, 1984 and supplemented by an agreement dated December 4, 1984 (collectively the "Purchase Order") between the Lessee and General Motors of Canada Limited (the "Builder") wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (the "Equipment").

The Lessor is assigning the property in and title to the Equipment to The Canada Trust Company (the "Trustee"), as Trustee for the holders of Secured Equipment Notes to be issued under a trust indenture and a trust deed of hypothec, mortgage and pledge both to be entered into between the Lessor and the Trustee (collectively the "Trust Indenture") pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Lessee, the Lessor, the Trustee and the parties named in Appendix A thereto (the "Lenders").

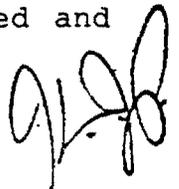
The Lessee desires to lease such number of units of the Equipment as are delivered, accepted and settled for under the Purchase Order Assignment (such units delivered and accepted hereinafter called, collectively, the "Units") and for which Certificates of Acceptance referred to in Section 2 hereof are executed and delivered, at the rentals and upon the terms and conditions hereinafter provided.

The Lessor will assign its rights, title and interest under this Lease, including the right to receive the rental payments provided for herein, to the Trustee pursuant to the Trust Indenture to secure the due payment of the Secured Equipment Notes, and the Lessee will accept such assignment pursuant to an acceptance and undertaking by the Lessee in favour of the Lessor and the Trustee (the "Acceptance and Undertaking").

NOW, THEREFORE, in consideration of the rentals to be paid and the covenants hereinafter contained, the parties hereto hereby agree as follows:

A handwritten signature in black ink, appearing to be initials or a stylized name, located in the bottom right corner of the document.

SECTION 1. Net Lease. This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except in respect of a Unit which suffers a Casualty Occurrence and for which the Casualty Value has been paid (all as provided in Section 7 hereof) or except in the case of the Lessee exercising its option to purchase the Units at the Option Price (as hereinafter defined) (pursuant to Section 14 hereof), the Lessee shall not be entitled to (a) any abatement or reduction of rent, including, but not limited to, abatements or reductions due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under any other agreement, or against the Builder or the Trustee or otherwise or (b) any set-off against rent, including, but not limited to, any set-offs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under any other agreement or against the Trustee under any agreement or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives 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 the Lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment required to be made by the Lessee hereunder, save and except for any payment made pursuant to Sections 6 and 9 hereof, shall be final, and the Lessee shall not seek to recover all or any part of such payment for any reason whatsoever. The foregoing is without any prejudice whatsoever to the rights of the Lessee, which is absolute and unconditional, to the quiet enjoyment, use and possession of the Equipment for the full term provided in this Lease, provided that no Event of Default (as defined in Section 10 hereof) has occurred and be continuing.



SECTION 2. Delivery and Acceptance of Units.

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Purchase Order. As such agent, the Lessee shall exercise all the rights of the Lessor under the Purchase Order and the Units shall be deemed to have been accepted and delivered only when such delivery shall have been approved by the Lessee in the manner contemplated in the Purchase Order. The Lessee will cause an employee or agent of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor under the Purchase Order and itself hereunder and execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in substantially the form of Schedule D hereto, which shall be deemed to form a part hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

SECTION 3. Rentals. The Lessee agrees to pay to

the Lessor, subject to Section 14 hereof, as rental for each Unit subject to this Lease, one interim rental payment on November 12, 1985 and 40 consecutive semi-annual payments, payable in arrears, on May 12 and November 12 in each year, commencing on May 12, 1986 (each of such dates being hereinafter called a "Rental Payment Date"). The interim rental payment shall be an amount equal to the Interim Interest (as hereinafter defined) calculated on the Purchase Price (as defined in the Purchase Order Assignment) paid by the Lessor to the Builder for each Unit subject to this Lease for the period from and including the date of payment by the Lessor to the Builder of such Purchase Price to and including November 11, 1985. For purposes of this Section 3, "Interim Interest" means an aggregate amount equal to the sum of the amounts calculated by multiplying the Purchase Price for Units paid by the Lessor to the Builder on each said payment date by such rate as shall be agreed upon among the Lessor, the Lessee and the Canadian Imperial Bank of Commerce on each such payment date. The 40 semi-annual payments shall each be in an amount equal to such percent of the Purchase Price of each such Unit then subject to this Lease as is set forth in Schedule B hereto.

All rental payments payable hereunder shall be in such coin or currency of Canada as at the time of payment shall be legal tender for the payment of public and private debts.

If any Rental Payment Date is not a business day, the rental payment otherwise payable on such Date shall then be payable on the next succeeding business day. The term "business day" as used herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Montreal or Toronto are authorized or obligated to remain closed.



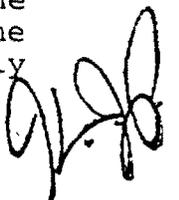
The Lessee agrees to make each payment provided for in this Section 3 in funds immediately available at or prior to 11:00 a.m. local time at the place specified in the Acceptance and Undertaking.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of Sections 7, 10 and 14 hereof, shall terminate on November 12, 2005.

So long as no Event of Default exists hereunder and subject to the provisions of Section 14 hereof, this Lease may not be terminated and the Lessee shall be entitled to the rights of quiet enjoyment, possession, use and assignment provided under Sections 1 and 12 hereof.

SECTION 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than three-eighths of one inch in height, the words, "OWNERSHIP SUBJECT TO SECURITY AGREEMENTS FILED WITH REGISTRAR GENERAL OF CANADA AND I.C.C.", or other appropriate words approved by the Lessor and the Trustee, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Lessor's and the Trustee's title to and interest in such Unit and the respective rights of the Lessor and the Lessee under this Lease and of the Trustee under the Trust Indenture. The Lessee will not place or permit any such Unit to be placed in operation or exercise any control over or use in any manner the same until such words shall have been so marked on both sides thereof and will replace or cause to be replaced promptly any such name and words which may be removed, defaced, obliterated or destroyed. The Lessee will not change or permit to be changed the identifying number of any Unit unless and until a statement of new number or numbers to be substituted therefor shall have been filed with the Trustee and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Trust Indenture shall have been filed, recorded and deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may permit the Equipment to be lettered with the names, trademarks, initials or other insignia customarily



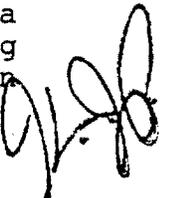
used by the Lessee or its affiliates or any operator or sublessee permitted under Section 12 hereof on railroad equipment used by it of the same or a similar type for convenience of identification of its rights to use the Equipment under this Lease, and the Equipment may be lettered in an appropriate manner for convenience of identification of the interest of the Lessee therein.

SECTION 6. Taxes.

(a) The Lessee agrees to pay and to indemnify and hold the Lessor harmless on an after tax basis from all taxes, assessments, duties, license and registration fees and other governmental charges, including penalties and interest (hereinafter collectively referred to as "Taxes") imposed, levied or assessed by any federal, provincial or local government or taxing authority in Canada, or, if as a result of the operation, possession or use of any Unit by or through the Lessee in any foreign country, by any government or taxing authority in a foreign country, against such Unit or upon or measured by any interest therein, or upon or with respect to the purchase, ownership, delivery, leasing or possession thereof by the Lessor, or upon or with respect to the use, possession or operation thereof by the Lessee, or on account of or measured by the rentals, earnings or gross receipts arising pursuant to this Lease (including any payment or indemnity under this Lease), provided that the Lessee shall not be required to pay the same (or any amount by way of indemnity of the Lessor or otherwise pursuant to this Section 6) if and so long as it shall in good faith and with due diligence and by appropriate legal or administrative proceedings contest the validity, applicability or amount thereof (but only so long as such proceedings shall stay the collection thereof and shall not involve any risk of the sale, forfeiture or loss of any Unit or any interest therein). If a claim is made against the Lessor for any Taxes, then the Lessor shall use its reasonable efforts to notify the Lessee promptly and, if so requested by the Lessee, shall at the Lessee's expense contest the validity and amount of any Taxes which it may be required to pay and in respect of which it is entitled to reimbursement by the Lessee under this Section 6 so long as the rights or interests of the Lessor hereunder or in such Unit will not be materially endangered thereby.

(b) Notwithstanding the provisions of paragraph (a) of this Section 6, the Lessee shall have no obligation thereunder as to:

- (1) any Taxes on, based on or measured by the net income of the Lessor imposed (i) by Canada, a province or other local taxing authority in Canada or (ii) by any foreign government or any taxing authority or governmental subdivision of a foreign



country to the extent allowed as a credit against income taxes imposed by Canada, a province, or other local taxing authority taking into account any applicable limitation on the aggregate amount of such credit and after assuming that all other Taxes of the Lessor for the same or prior periods which qualify for such credit are first allowed;

- (2) any Taxes on, based on, or measured by, the net income of the Lessor imposed by any foreign government or any taxing authority or governmental subdivision of a foreign country by virtue of the Lessor being engaged in business in such foreign country through activities unrelated to the transactions contemplated by this Lease to the extent the Lessee's obligation as to such Taxes would otherwise exceed the amount of such Taxes which would be payable if the Lessor were not so engaged in such business; or
- (3) any Taxes which are or may become imposed by Canada on rental or similar payments being made under this Lease to a non-resident of Canada (as defined in the Income Tax Act (Canada));

(c) The Lessee shall pay to the Lessor, as additional rental, any Canadian federal or provincial taxes on paid-up or taxable capital payable by the Lessor which are reasonably attributable to the unamortized balance of the obligation of the Lessor under the Secured Equipment Notes. Such additional rental shall be paid within thirty days of the Lessee receiving an invoice therefor, showing in reasonable detail the computation of the amount of such additional rental. The Lessee shall have the right to review the Lessor's computation of the additional rental and in the event of a dispute between the Lessor and the Lessee as to the correctness of the computation and/or the amount of the additional rental, the decision of a mutually satisfactory independent tax expert as to the correct amount of the additional rental shall be binding on both parties.

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

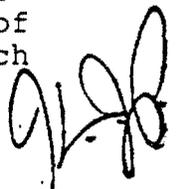
(e) In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this Section 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Taxes are paid or reimbursed by the Lessee.



SECTION 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) in as good operating order, repair and condition as when originally delivered, ordinary wear and tear excepted.

In the event that any Unit shall be or become lost, stolen, destroyed, damaged beyond economic repair, or permanently rendered unfit for use from any cause whatsoever, or expropriated by a governmental authority resulting in a loss for reasons beyond the control of the Lessee of possession by the Lessee for a period of 90 consecutive days (each such occurrence being hereinafter called a "Casualty Occurrence") during the term of this Lease, or before such Unit shall have been returned in the manner provided in Section 11 or Section 13 hereof or purchased in the manner provided in Section 14 hereof, the Lessee shall fully notify the Lessor and the Trustee with respect thereto as soon as it becomes aware of same. For the purposes hereof, the Lessee shall be deemed to be aware of a Casualty Occurrence when its Treasurer or Assistant Treasurer shall be aware thereof. On the Rental Payment Date next succeeding the delivery of such notice (or, in the event such Rental Payment Date will occur within 20 days after delivery of such notice, on the next succeeding Rental Payment Date) (such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of such Casualty Payment Date in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and the Lessee shall become absolute owner thereof. The Lessor shall, upon request of the Lessee, after payment by the Lessee of a sum equal to the Casualty Value of any such Unit, plus an amount equal to the accrued unpaid rental for such Unit, deliver to or upon the order of the Lessee a bill of sale (without recourse, representations or warranties) for such Unit executed by the Lessor and such other documents as may reasonably be required in order to transfer to the Lessee clear and absolute title to such Unit free and clear of all liens, security interests and other encumbrances arising through or under the Lessor.

The term "Casualty Value" of each Unit as of a Casualty Payment Date shall be the percentage of the Purchase Price (as defined in the Purchase Order Assignment) of such Unit as is set forth in Schedule C hereto opposite such date.



Whenever any Unit shall suffer a Casualty Occurrence after the expiration of the term of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall fully notify the Lessor and the Trustee with respect thereto, as and when provided above, and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 16.6948% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit the Lessor shall, upon request of the Lessee, after payment by the Lessee of a sum equal to the Casualty Value of any such Unit, plus an amount equal to the accrued unpaid rental for such Unit, deliver to or upon the order of the Lessee a bill of sale (without recourse, representations or warranties) for such Unit executed by the Lessor and such other documents as may reasonably be required in order to transfer to the Lessee clear and absolute title to such Unit free and clear of all liens, security interests and other encumbrances.

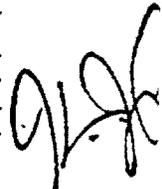
Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Units to the Lessor in accordance with the terms of this Lease and during any storage period, at its own expense, cause to be carried and maintained public liability and property damage insurance in respect of the Units against the risks and in the amounts, if any, customarily insured against by the Lessee in respect of similar equipment owned or leased by it. Notwithstanding anything to the contrary in this Section 7, the Lessee shall be permitted to provide for customary deductibles and/or self insurance.

SECTION 8. Reports. On or before April 1 in each year, commencing with the calendar year 1986, the Lessee will furnish to the Lessor and the Trustee an accurate statement signed by a responsible officer of the Lessee (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased that have suffered a Casualty Occurrence during the preceding calendar year (or, in the case of the report to be supplied on April 1, 1986, the period from the commencement of this Lease to December 31, 1985) and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by Section 5 hereof have been preserved or replaced. The Lessor and the Trustee shall have the right (but not the obligation) at their own expense, by their respective agents, to inspect the Units and the Lessee's maintenance records with respect thereto at such reasonable

times and upon notice as the Lessor or the Trustee may request during the continuance of this Lease; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or agents, for any damage, injury to, or the death of any persons exercising on behalf of the Lessor or the Trustee or any prospective assign of the Lessor or the Trustee, the rights of inspection granted hereunder.

SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. SUBJECT TO THE RESERVATION TO THE LESSEE OF THE WARRANTIES OF THE BUILDER UNDER THE PURCHASE ORDER ASSIGNMENT, THE LESSOR MAKES NO WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OR MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (UPON DELIVERY THEREOF TO THE LESSEE, EXERCISE BY THE LESSEE OF A PURCHASE OPTION PURSUANT TO SECTION 14 HEREOF 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 irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder, including, but not limited to, any claims and rights arising under the provisions of the Purchase Order. The foregoing provisions of this Section 9 shall not be deemed to affect the Lessee's rights of quiet enjoyment, possession, use and assignment provided under Sections 1, 4 and 12 hereof. Any amount received by the Lessee or the Lessor as payment under any such rights or claims against the Builder shall be applied to restore the Units to the condition required by Section 7 hereof, except to the extent any such Units shall have suffered a Casualty Occurrence, in which case such amount shall be applied to the payment of the Casualty Value thereof pursuant to Section 7 hereof, and, if the Casualty Value shall have been paid, such amount shall be paid to the Lessee; provided, however, that if an Event of Default shall have occurred and be continuing such amount shall be paid to the Lessor. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of

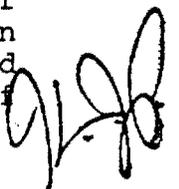


service, loss of business or anticipated profits or consequential damages relating thereto; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters provided, however, that the Lessor may not assert any rights against the Lessee with respect to any such Certificate of Acceptance.

The Lessor agrees not to amend or modify the Trust Indenture in any respect which affects the rights or obligations of the Lessee under the Participation Agreement or this Lease (including, without limitation, the rights of the Lessee pursuant to the last paragraph of Section 14 hereof), without the prior written consent of the Lessee, which consent shall not be unreasonably withheld.

The Lessee agrees to comply in all respects with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transport of Canada, the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation, use, value or utility of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that the Applicable Laws require any alteration, replacement, modification or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense to the extent necessary for the use by the Lessee (or permitted sub-lessee) of any Unit; provided, however, that the Lessee may, in good faith, contest, with due diligence by appropriate legal proceedings, the validity or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Lessor and the Trustee, adversely affect the property or rights of the Lessor under this Lease or of the Trustee under the Trust Indenture and the failure to comply will not impair the value or utility of the Units.

The Lessee and its affiliates, at their own cost and expense, may from time to time make such alterations, modifications and additions (including, without limitation, any special devices or assemblies at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the Department of



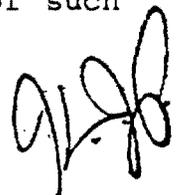
Transport of Canada, the Interstate Commerce Commission, the United States Department of Transportation or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units and shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease.

Title to all Parts (as hereinafter defined) incorporated in or installed as part of any Unit shall without further act vest in the Lessor in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for any such original Part, (ii) such Part is required to be incorporated in or installed as part of the Unit pursuant to the terms of the second paragraph of this Section 9 or (iii) notwithstanding the provisions of the third paragraph of this Section 9, such Part cannot be readily removed from the Unit to which it relates without material damage thereto or without diminishing or impairing the value or utility which such Unit would have had at such time had such alteration, modification or addition not occurred. In all other cases, if no Event of Default under Section 10 hereof (or other event which after lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, title to Parts incorporated in or installed as part of any Unit as a result of any Addition shall vest in the Lessee. The term "Part" for the purposes of this paragraph shall mean any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort) and demands whatsoever and expenses in connection therewith (including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, but excluding any items the Lessor has agreed to pay pursuant to Paragraph 9 of the Participation Agreement), arising out of or as the result of the occurrence of an Event of Default under this Lease or any event which with notice or lapse of time or both would become an Event of Default under this Lease, the ownership of any Unit, the ordering, acquisition, use, possession,



operation, condition, purchase, delivery, rejection, storage or return of any Unit, the compliance or noncompliance by the Lessee with any applicable law, rule or regulation with respect to the use, maintenance or operation of any Unit, or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person (except as otherwise provided in Sections 8, 11 and 13 of this Lease); provided, however, that the Lessee shall not be required to indemnify the Lessor in respect of wilful misconduct or negligence on the part of the Lessor or its employees or agents or in respect of a breach by the Lessor of any of its obligations hereunder. The indemnities arising under this paragraph shall continue in full force and effect with respect to all events, facts, conditions or other circumstances occurring or existing prior to the expiration or termination of the term of this Lease and return of the Units as provided in Section 11 or 13 of this Lease, notwithstanding such expiration, termination and return. Anything herein to the contrary notwithstanding, the Lessee shall not be obligated to indemnify under this Lease in respect of any charge, claim, expense, loss or liability attributable to a Unit which, and to an event occurring after such Unit, shall have been assembled, delivered, stored and transported to the Lessor pursuant to Sections 11 or 13 hereof or after this Lease with respect to such Unit has otherwise terminated. In case any action, suit or proceeding is brought against the Lessor in connection with any claim, indemnified against hereunder, the Lessee may, at the Lessee's expense, resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, legal fees and expenses) incurred by the Lessor in connection with such action, suit or proceeding. The Lessee and the Lessor each agrees to give the other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this Section 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, it shall be subrogated to any right of the Lessor in respect of the matters against which indemnity has been given. Any payments received by the Lessor from any person (except the Lessee) as a result of any matter with respect to which the Lessor has been indemnified by the Lessee pursuant to this Section 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

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SECTION 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein called an "Event of Default") shall occur:

(a) default shall be made in payment of any amount provided in Section 3, 7 or 14 hereof and such default shall continue for five business days after notice thereof to the Lessee;

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

(c) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

(d) any representation or warranty made by the Lessee in the Participation Agreement or in any document or certificate furnished by the Lessee to the Lessor or the Trustee in connection herewith or therewith or pursuant hereto or thereto shall be incorrect in any material respect adverse to the Lessor or the Trustee and such condition, which caused such misrepresentation or breach of warranty, shall continue unremedied for a period of 30 days after the Lessee becomes aware of such condition; or

(e) any proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for its respective property in connection with any such proceedings in such manner that such obligations shall have the same

status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced, the whole subject to the Lessee's rights of quiet enjoyment, possession, use and assignment under Sections 1, 4 and 12 of this Lease;

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

(A) proceed by appropriate court action or actions to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(B) by notice in writing to the Lessee, terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Unit which represents the excess of (1) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (2) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 10% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, together with any damages and expenses, including reasonable

legal fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of the rental; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (B) with respect to such Unit, may, if the Lessor shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale (in addition to the amounts payable pursuant to Sections 6 and 9 hereof), as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies, except as otherwise provided above, and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such non-performance or non-compliance constitutes an Event of Default under clause (b) of this Section 10, the Lessor itself may (but shall not be obligated to), upon notice to the Lessee, perform or comply with such agreement, covenant or condition and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance shall be payable to the Lessor by the Lessee.

The remedies in this Lease provided in favour 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 requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due

hereunder and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies, and a waiver of any such right on one occasion shall not constitute a waiver of such right as to any other occasion and shall not be effective unless in writing signed by the Lessor.

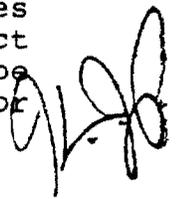
SECTION 11. Return of Units upon Default. If this Lease shall terminate pursuant to Section 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor and shall give prompt telegraphic and written notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit returned to the Lessor pursuant to this Section 11 shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear and modifications, if any, permitted by this Lease excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner cause such Units to be placed upon such storage tracks of the Lessee as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) cause the Units to be transported to any reasonable place on any lines of the Lessee or to the point of interconnection with any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or



its employees or agents, for any damage, injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted hereunder.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

SECTION 12. Assignment; Possession and Use. The Lessor agrees that it will not assign any of its rights under this Lease without the prior written consent of the Lessee (the Lessee hereby consenting to the assignment thereof contained in the Trust Indenture).

So long as no Event of Default or event which with notice or lapse of time would become an Event of Default exists hereunder, the Lessee shall be entitled to the quiet enjoyment, use and possession of the Units and, without the Lessor's consent for a period of less than one year and with the Lessor's prior consent which will not be unreasonably withheld for periods of one year or more, to sublease the Units to, or to permit their use by, or to enter into an operating agreement with respect to the Units with, a user incorporated in Canada or in the United States of America (or any state thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or over which the Lessee or such user has trackage rights or other operating rights or over which any of their railroad equipment is regularly operated pursuant to contract and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or runthrough service, but only upon and subject to all the terms and conditions of this Lease, no such sublease or agreement for use by others shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Any such sublease or operating agreement shall be subject to the rights and remedies of the Lessor under this Lease in respect of the Units covered by such sublease or agreement upon the occurrence of an Event of Default hereunder.

The Lessee, at its own expense, will promptly cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from

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claims against the Lessor or the Trustee not related to the ownership or leasing of the Units and except any lien created by the Trust Indenture) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Lessor or the Lessee therein, except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; furthermore, the Lessee shall be under no obligation to discharge any such right, lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder.

Without restriction to the foregoing paragraph, the Lessor agrees that it will, at its own cost and expense, and in its individual capacity, promptly take such action as may be necessary to duly discharge any liens or encumbrances on any of the Units which result from claims of any nature whatsoever arising by, through or under the Lessor.

SECTION 13. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the term of this Lease, the Lessee will (unless the Units are sold to the Lessee or shall have suffered a Casualty Occurrence), at its own cost and expense, at the request of the Lessor, deliver possession of the Units to the Lessor upon such storage tracks of the Lessee in Canada as the Lessor may reasonably designate and permit the Lessor to store such Units on such tracks for a period not exceeding 60 days and transport the same, at any time within such 60-day period, to a final destination at any reasonable place on any lines of the Lessee in Canada, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee, the movement and storage of the Units to be at the expense and risk of the Lessor during such 60-day period. During any such storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or agents, for any damage, injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted hereunder. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease and, upon application to any court having jurisdiction in the



premises, the Lessor shall be entitled to a judgment, order or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this Section 13 shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear and modifications, if any, permitted by this Lease excepted.

SECTION 14. Purchase Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may (i) by written notice delivered to the Lessor not less than 180 days prior to the 32nd Rental Payment Date elect to purchase on the 32nd Rental Payment Date all, but not fewer than all, the Units then subject to this Lease, for a purchase price equal to thirty per cent (30%) of the Purchase Price (as defined in Section 5 of the Purchase Order Assignment) for the Units then subject to this Lease (hereinafter the "Option Price"), payable on the 32nd Rental Payment Date; or (ii) by written notice delivered to the Lessor not less than 180 days prior to the 40th Rental Payment Date, elect to purchase all, but not fewer than all, the Units then subject to this Lease, at a Fair Market Purchase Price (as hereinafter defined) payable on the 40th Rental Payment Date.

The Fair Market Purchase Price shall be determined on the basis of, and shall be equal in amount to, the purchase price, which would obtain in an arm's-length transaction between an informed and willing purchaser and an informed and willing seller, under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such purchase price and assuming that the Units have been collected in one place directed by the Lessor, but there shall be excluded any value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to any of the provisions hereof.

If, after 30 days from the giving of notice by the Lessee of the Lessee's election to exercise the purchase option pursuant to (ii) of the first paragraph of this Section 14, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Purchase Price for the Units then subject to this Lease, such purchase price shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such purchase price by this 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 10 business days after such notice is given, each party shall appoint an independent appraiser within 10

business days after such notice is given, and the two appraisers so appointed shall within 10 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 10 business days after such notice is given, either party may apply, to make such appointment, to a judge of the Supreme Court of Ontario and both parties shall be bound by the appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Purchase Price of the Units then subject to this Lease or any extended term thereof, within 10 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Purchase Price of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Purchase Price. The provision for this appraisal procedure shall be the exclusive means of determining the Fair Market Purchase Price and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

Upon payment of the Option Price or the Fair Market Purchase Price of any Unit as aforesaid, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without warranties) for such Unit such as will transfer to the Lessee such title to such Unit as the Lessor derived from the Builder, free and clear of all liens, security interests and other encumbrances arising through or under the Lessor together with a statement to be obtained by the Lessor from the Trustee that the title to such Units is free and clear of all liens, security interests and other encumbrances arising pursuant to the Trust Indenture.

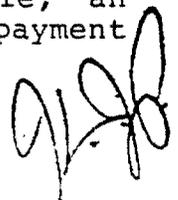
Without prejudice or restriction to the foregoing, in the event that, while this Lease is still in effect, any proceedings under any laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally or under any laws which may render ineffective the Lease or result in a material adverse effect upon the right of quiet possession, use and enjoyment of the Lessee thereunder are commenced by or against the Lessor and are not dismissed, nullified, stayed or otherwise rendered ineffective within sixty (60) days after such proceedings shall have been commenced, the Lessee may forthwith purchase the Equipment by written notice to the Lessor, or its



assign, and the Trustee. The Lessee shall become vested with all the right, title and interest of the Lessor in and to the Units then subject to this Lease forthwith upon receipt of such notice by the Lessor, or its assign, and by the Trustee provided that the Lessee has agreed to become and has become, to the reasonable satisfaction of the Trustee, directly liable for all the payments to be made under the Secured Equipment Notes issued under the Trust Indenture, such assumption of liability by the Lessee being the price payable by it to exercise such option. The option created by this paragraph is not assignable by the Lessee.

SECTION 15. Recording. The Lessee will cause (i) the Purchase Order Assignment, this Lease and the Trust Indenture to be duly filed with the Registrar General of Canada pursuant to the provisions of section 86 of the Railway Act (Canada); (ii) a financing statement to be registered giving notice of the Lease in accordance with The Personal Property Security Act (Saskatchewan); (iii) financing statements to be registered giving notice of the Trust Indenture in accordance with the Personal Property Security Acts of Saskatchewan and Manitoba, and the Trust Indenture to be registered or filed under the Company Act (British Columbia), the Business Corporations Act (Alberta), the Corporation Securities Registration Acts of Ontario, New Brunswick, Nova Scotia and Prince Edward Island and in accordance with the Special Corporate Powers Act (Quebec); and (iv) the Lease and the Trust Indenture to be duly filed with the Interstate Commerce Commission pursuant to the Interstate Commerce Act. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law (including renewals of the filings contemplated herein) or reasonably requested by the Lessor or the Trustee for the purpose of proper protection, to their satisfaction, of the Trustee's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of the Trust Indenture and this Lease. The Lessee will promptly furnish to the Trustee and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 15. The filings referred to in (i) and (iv) of this Section 15 (save and except the Trust Indenture) shall be made prior to the delivery and acceptance hereunder of any Unit.

SECTION 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to interest from the date on which such payment was due at a rate per annum of 11.5%.



SECTION 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when delivered to such other party or when sent by telex or rapifax or when deposited in the mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at 2001 Speers Road, Oakville, Ontario, L6J 5E1, Attention of Secretary; and

if to the Lessee, at 935 de La Gauchetiere Street West, Montréal, Québec H3B 2M9, Attention of Treasurer;

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing. Any certificate, document or report required to be furnished by any party hereto to the other parties shall be delivered to the address set forth above for such party. Any notice, certificate, document or report required to be furnished by any party to the Trustee shall be delivered to the Trustee at its applicable address for notices under the Participation Agreement.

SECTION 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the Trust Indenture, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. 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.

SECTION 19. Governing Law. The terms of this Lease and all rights and obligations hereunder shall be construed in accordance with and governed by the laws of Ontario and the federal laws of Canada applicable therein.

SECTION 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Trustee shall be deemed to be the original counterpart. Although for convenience this Lease

is dated as of the date first set forth above, the actual dates of execution hereof by the parties hereto are dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first above written.

CANADIAN NATIONAL RAILWAY COMPANY

Seal



by: [Signature]
Senior Vice-President and
Chief Financial Officer

by: [Signature]
Vice-President and Secretary
of the Company

PROCOR LIMITED

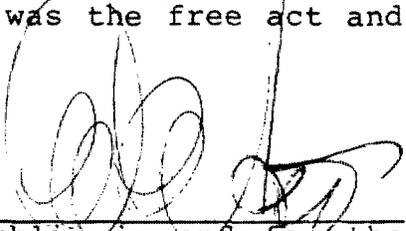
Seal

by: [Signature]
PRESIDENT

by: [Signature]
SECRETARY

PROVINCE OF QUEBEC)
) ss.:
CITY OF MONTREAL)

On this July 3, 1985, before me personally appeared Yvon H. Masse, to me personally known, who, being by me duly sworn, says that he is the Senior Vice-President and Chief Financial Officer of Canadian National Railway Company, that one of the seals affixed to the foregoing instrument is the seal of said Company, that said instrument was signed and sealed on behalf of said Company 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 Company.

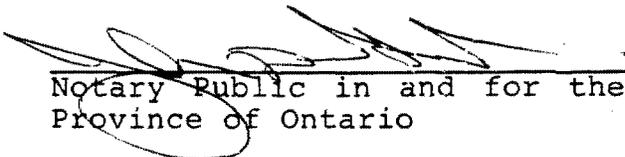


Notary Public in and for the Province of Ontario

(Notarial Seal)

PROVINCE OF ONTARIO)
) ss.:
CITY OF TORONTO)

On this JULY 4, 1985, before me personally appeared GRANT L. GOODING, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of Procor Limited, that one of the seals affixed to the foregoing instrument is the seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.



Notary Public in and for the Province of Ontario

(Notarial Seal)



SCHEDULE A

TO

LEASE OF RAILROAD EQUIPMENT

Type	Specifications	Builder	Lessee's Road Numbers (Both Inclusive)		Quantity	Estimated Unit Price		Estimated Total Price	Estimated Time and Place of Delivery
			CN 5408 through CN 5430			CDN \$1,723,875	CDN \$39,649,125		
SD50F 3600 HP, Electric Locomotives	Builder's Proposal DDL 1239 dated December 9, 1983, CN's letter dated November 11, 1983, CN's letter dated November 15, 1983, the Builder's proposal letter dated December 9, 1983, the Builder's letter dated December 14, 1983, the Builder's letter dated December 22, 1983, the Builder's telex dated February 22, 1984, CN's letter dated February 23, 1984, the Builder's telex dated March 21, 1984, CN's letter dated March 23, 1984, the Builder's letter dated March 30, 1984, the Builder's letter dated November 20, 1984, CN's letter dated December 4, 1984, and the Builder's letter dated December 17, 1984.	General Motors of Canada Limited, London, Ontario	CN 5408 through CN 5430		23	CDN \$1,723,875	CDN \$39,649,125	July to September 1985, at London, Ontario, or at such other location as may be designated by the Lessee	

SCHEDULE B TO LEASE

Rental Payments

<u>Payment Number</u>	<u>Rental Payment Date</u>		<u>Percent of Purchase Price of Each Unit</u>
1	May 12,	1986	7.62758100%
2	November 12,	1986	4.82518813%
3	May 12,	1987	4.82518813%
4	November 12,	1987	4.82518813%
5	May 12,	1988	4.82518813%
6	November 12,	1988	4.82518813%
7	May 12,	1989	4.82518813%
8	November 12,	1989	4.82518813%
9	May 12,	1990	4.82518813%
10	November 12,	1990	4.82518813%
11	May 12,	1991	5.70079200%
12	November 12	1991	5.70079200%
13	May 12,	1992	5.70079200%
14	November 12	1992	5.70079200%
15	May 12,	1993	5.70079200%
16	November 12	1993	5.70079200%
17	May 12,	1994	5.70079200%
18	November 12	1994	5.70079200%
19	May 12,	1995	5.70079200%
20	November 12	1995	5.70079200%
21	May 12,	1996	6.78909125%
22	November 12	1996	6.78909125%
23	May 12,	1997	6.78909125%
24	November 12	1997	6.78909125%
25	May 12,	1998	6.78909125%
26	November 12	1998	6.78909125%
27	May 12,	1999	6.78909125%
28	November 12	1999	6.78909125%
29	May 12,	2000	6.78909125%
30	November 12	2000	6.78909125%
31	May 12,	2001	9.01200000%
32	November 12	2001	9.01200000%
33	May 12,	2002	5.12180000%
34	November 12	2002	5.12180000%
35	May 12,	2003	5.12180000%
36	November 12	2003	5.12180000%
37	May 12,	2004	5.12180000%
38	November 12	2004	5.12180000%
39	May 12,	2005	5.12180000%
40	November 12	2005	5.12180000%

SCHEDULE C TO LEASE

Casualty Values

The Casualty Value of any Unit to be paid on a Casualty Payment Date during the term shall be an amount equal to the percentage of the Purchase Price of such Unit set forth opposite such Casualty Payment Date in the following schedule.

<u>Rental Payment Number</u>	<u>Casualty Payment Date</u>		<u>Percent of Purchase Price of Each Unit</u>
1	May 12,	1986	97.1474%
2	November 12,	1986	96.9610%
3	May 12,	1987	96.7657%
4	November 12,	1987	96.5610%
5	May 12,	1988	96.3466%
6	November 12,	1988	96.1220%
7	May 12,	1989	95.8866%
8	November 12,	1989	95.6400%
9	May 12,	1990	95.3816%
10	November 12,	1990	95.1109%
11	May 12,	1991	93.9516%
12	November 12	1991	92.7370%
13	May 12,	1992	91.4644%
14	November 12	1992	90.1310%
15	May 12,	1993	88.7340%
16	November 12	1993	87.2702%
17	May 12,	1994	85.7366%
18	November 12	1994	84.1297%
19	May 12,	1995	82.4461%
20	November 12	1995	80.6821%
21	May 12,	1996	77.7456%
22	November 12	1996	74.6688%
23	May 12,	1997	71.4451%
24	November 12	1997	68.0675%
25	May 12,	1998	64.5287%
26	November 12	1998	60.8208%
27	May 12,	1999	56.9359%
28	November 12	1999	52.8655%
29	May 12,	2000	48.6007%
30	November 12	2000	44.1323%
31	May 12,	2001	37.2276%
32	November 12	2001	30.0000%
33	May 12,	2002	27.6983%
34	November 12	2002	26.5339%
35	May 12,	2003	24.2036%
36	November 12	2003	23.0005%
37	May 12,	2004	20.8225%
38	November 12	2004	19.6617%
39	May 12,	2005	17.7142%
40	November 12	2005	16.6948%

SCHEDULE D TO LEASE

Certificate of Acceptance

To: Procor Limited
2001 Speers Road
Oakville, Ontario
L6J 5E1

- and -

General Motors of Canada Limited
2021 Oxford Street
P.O. Box 5160
London, Ontario
N6A 4N5

I, the duly authorized representative of Procor Limited (the "Lessor") and Canadian National Railway Company (the "Lessee"), for the purposes of the manufacturing agreement dated March 30, 1984 and supplemented by an agreement dated December 4, 1984 (collectively the "Purchase Order") between General Motors of Canada Limited (the "Builder") and the Lessee, the assignment of the Purchase Order dated as of June 26, 1985 (the "Purchase Order Assignment") between the Lessee, the Lessor and the Builder and the Lease of Railroad Equipment dated as of June 26, 1985 (the "Lease") between the Lessee and the Lessor, DO HEREBY CERTIFY that there has been inspected on behalf of the Lessee and the Lessor and found to be completed and marked in accordance with the Purchase Order, the Purchase Order Assignment and the Lease and the applicable specifications, requirements and standards referred to in the Purchase Order the following units of railroad equipment constructed by General Motors of Canada Limited pursuant to the Purchase Order.

I further certify that there is plainly, distinctly, permanently and conspicuously marked on each side of each said unit, in letters not less than three-eighths of one inch in height, the words,

"OWNERSHIP SUBJECT TO SECURITY AGREEMENTS FILED WITH REGISTRAR GENERAL OF CANADA AND I.C.C."

I further certify that there has been delivered to the Lessor at London, Ontario and fully and finally accepted by me on behalf of the Lessee and the Lessor (both under the



.../2

Purchase Order, the Purchase Order Assignment and the Lease) the following units of railroad equipment constructed by General Motors of Canada Limited pursuant to the Purchase Order:

<u>Description</u>	<u>Quantity</u>	<u>No.</u>
--------------------	-----------------	------------

Dated: _____

By: _____
Inspector and Authorized
Representative of the Lessor
and Lessee



District of Columbia)
)
City of Washington)

I, Kathleen L. Smith, a notary public for the District of Columbia, do hereby swear that on this 8th day of July, 1985, I have compared a copy of the original document entitled "Lease of Railroad Equipment dated as of June 26, 1985 between Canadian National Railway Company, Lessee, and Procor Limited, Lessor" and found the copy to be complete and identical in all respect to the original documents.

Kathleen L. Smith
Notary Public

My Commission Expires May 14, 1990