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RECORDATION NO. 12782-0
JAN 19 1981-11 55 AM
INTERSTATE COMMERCE COMMISSION

CRAVATH, SWAINE & MOORE

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NEW YORK, N. Y. 10005

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RECORDATION NO. 12782
JAN 19 1981-11 55 AM
INTERSTATE COMMERCE COMMISSION

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See next page for cross indexing

January 13, 1981

Blue cover does Dow Chem

The Dow Chemical Company
Lease Financing Dated as of December 23, 1980
14% Conditional Sale Indebtedness Due January 2, 2002
(CS&M Ref: 1629-034)

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. §11303(a), I enclose here-
with on behalf of The Dow Chemical Company, for filing and
recordation, counterparts of the following:

New Number

(1) (a) Lease dated as of December 23, 1980, between
The Dow Chemical Company and The Connecticut Bank and
Trust Company; and

- A

(b) Assignment of Lease and Agreement dated as of
December 23, 1980, between The Connecticut Bank and Trust
Company and Mercantile-Safe Deposit and Trust Company.

The addresses of the parties to the aforementioned
agreements are:

Lessor-Trustee

The Connecticut Bank and Trust Company
One Constiution Plaza
Hartford, Connecticut 06115

See next page for cross indexing

Lessee

The Dow Chemical Company
 2030 Dow Center
 Midland, Michigan 48640

Agent-Vendor

Mercantile-Safe Deposit and Trust Company
 Two Hopkins Plaza
 Baltimore, Maryland 21203

The equipment covered by the aforementioned agreements appears in Exhibit A attached hereto and also bearing the legend "Ownership Subject to a Security Agreement, The Connecticut Bank and Trust Company, Trustee, Owner, Mercantile-Safe Deposit and Trust Company, Trustee, Mortgagee".

Please cross-index the Lease and the Assignment of Lease and Agreement with the following documents which are being filed simultaneously;

(A) Conditional Sale Agreement No. 1 dated as of December 23, 1980, between The Connecticut Bank and Trust Company and Hawker Siddeley Canada Inc., Recordation No. 12780 ; ✓ ✓

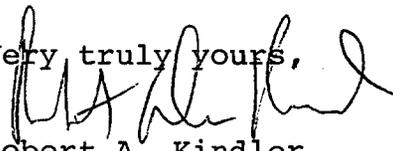
(B) Agreement and Assignment No. 1 dated as of December 23, 1980, between Mercantile-Safe Deposit and Trust Company and Hawker Siddeley Canada Inc., Recordation No. 12780-A ; ✓ ✓

(c) Conditional Sale Agreement No. 2 dated as of December 23, 1980, between The Connecticut Bank and Trust Company and Procor Limited, Recordation No. 12781 ; ✓ ✓
 and

(D) Agreement and Assignment No. 2 dated as of December 23, 1980, between Mercantile-Safe Deposit and Trust Company and Procor Limited, Recordation No. 12781-A. ✓ ✓

Enclosed is our check for \$70 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to

the delivering messenger along with your fee receipt addressed to the undersigned.

Very truly yours,

Robert A. Kindler
As Agent for The Dow
Chemical Company

Agatha Mergenovich, Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

| <u>Type</u> | <u>Designation</u> | <u>Builder's Specifications</u> | <u>Quantity</u> | <u>Road Number**</u> |
|------------------------------------|--------------------|---|-----------------|-----------------------|
| Caustic Soda Cars | 111-A-100W-1 | Engineering Data Sheet No. D-172, May 7, 1980. General Arrangement Drawing No. A154F222, May 7, 1980. | 79 | CGBX 6305- 6383 |
| Ethylene Glycol Cars | 111-A-100W-1 | Engineering Data Sheet D-158, Rev. A., October 3, 1979. General Arrangement Drawing No. A154F208, October 3, 1979. | 35 | CGBX 4360- 4394 |
| Ethylene Dichlo- ride | 111-A-100W-1 | Engineering Data Sheet No. D-183, December 23, 1980. General Arrangement Drawing No. A154F228, December 23, 1980. | 35 | CGBX 4090- 4124 |
| Solvents | 111-A-100W-1 | Engineering Data Sheet D-179, Rev. A, October 15, 1980. General Arrangement Drawing No. A154F223, July 8, 1980. | 22 | CGBX 5000- 5021 |
| Voranol* | 111-A-100W-1 | Engineering Data Sheet No. D-175, May 28, 1980. General Arrangement Drawing No. A154F224, May 28, 1980. | 8 | CGBX 5022- 5029 |
| Vinyl Chloride Cars | 105-A-300W | 106-7 | 18 | DCLX 1215- 1232 |
| Vacuum Pneumatic Hopper Cars | LO | L254 | 19 | DCLX 7097- 7115 |
| Ethylene Oxide Cars | 105-A-300-W | 106-6 | 73 | DCLX 2000-2072 |
| Anhydrous Hydrogen Cars | 105-A-600W | 109-1 | 3 | DCLX 2800- 2802 |
| Chlorine Cars | 105-A-500W | 108-8 | 20 | DCLX 3026-3045 |

* Voranol is a trademark of The Dow Chemical Company.

** The Quantities and Road Numbers listed above include Items which are covered by a lease dated as of December 15, 1980, among the parties hereto but with the owner trustee acting for a different beneficiary. To the extent that such Items are not delivered and accepted prior to June 30, 1980, under that lease, they will automatically be eligible for delivery and acceptance hereunder after July 1, 1981. Upon completion of all deliveries under both leases (such completion to be not later than December 31, 1981), this Schedule A will be appropriately amended to delete the Equipment listed above which has not become subject to this Lease.

See
12780-B
for #5 *now covered*

REGISTRATION NO. 12782

JAN 19 1981 - 11 55 AM

INTERSTATE COMMERCE COMMISSION

LEASE

Dated as of December 23, 1980.

Between

THE CONNECTICUT BANK AND TRUST COMPANY,
Lessor,

and

THE DOW CHEMICAL COMPANY,
Lessee.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for certain institutional investors. The original of this Lease is held by said Agent.

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ATTACHMENTS TO LEASE:

- SCHEDULE A--DESCRIPTION OF ITEMS OF EQUIPMENT
- SCHEDULE B--SCHEDULE OF CASUALTY VALUES
- SCHEDULE C--CERTIFICATE OF ACCEPTANCE

LEASE dated as of December 23, 1980, between THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely in its capacity as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with C.I.T. Financial Services, Inc. (the "Beneficiary").

The Lessor is entering into a Conditional Sale Agreement No. 1 dated as of the date hereof ("Conditional Sale Agreement No. 1") with Hawker Siddeley Canada Inc., a Canadian corporation ("Hawker"), wherein Hawker has agreed to manufacture, sell and deliver to the Lessor certain units of railroad equipment described in Schedule A hereto.

The Lessor is entering into a Conditional Sale Agreement No. 2 dated as of the date hereof ("Conditional Sale Agreement No. 2") with Procor Limited, a Canadian corporation ("Procor"), wherein Procor has agreed to manufacture, sell and deliver to the Lessor certain units of railroad equipment described in Schedule A hereto.

Hawker and Procor are hereinafter sometimes referred to individually as a "Builder" and collectively as the "Builders"; Conditional Sale Agreement No. 1 and Conditional Sale Agreement No. 2 are hereinafter referred to individually and collectively as the "Security Documentation"; and the items of railroad equipment described in Schedule A hereto are hereinafter referred to as "Items" and the "Equipment".

The Builders are assigning their respective interests in the Security Documentation to Mercantile-Safe Deposit and Trust Company, acting as agent (together with its successors and assigns, the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Beneficiary and New York Life Insurance Company (the "Original Investor" and, together with its assigns, the "Investors").

The Lessee desires to lease such number of units of the Equipment as are delivered and accepted and settled for under the Security Documentation (the "Items") at the rentals and for the terms and upon the conditions hereinafter provided.

The Lessor will assign this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") and the Lessee will consent to the Lease Assignment pursuant to a Consent and Agreement (the "Consent").

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

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT

1.1. Intent To Lease. Upon delivery of each Item pursuant to the Security Documentation by the manufacturer thereof, the Lessee shall lease such Item from the Lessor, and the Lessor shall lease such Item to the Lessee, on the terms and conditions herein set forth.

1.2. Delivery and Acceptance of Items. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Items pursuant to the Security Documentation. The Lessor will cause each Item to be delivered to the Lessee at the point or points within Canada at which such Item is delivered to the Lessor under the Security Documentation. Upon such delivery, the Lessee will cause an employee of the Lessee or of one of its subsidiaries to inspect such item, and if it is found to be acceptable, to accept delivery both on behalf of the Lessor under the Security Documentation and the Lessee under this Lease.

At the time of such acceptance, the Lessee shall execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") substantially in the form of Schedule C hereto, stating that such Item has been inspected and accepted on behalf of the Lessee and the Lessor and is marked in accordance with § 4.2 hereof. Upon delivery and acceptance of an Item under the Security Documentation, it shall be deemed to have been delivered to and accepted by the Lessee under this Lease. The delivery, inspection and acceptance hereunder of any Item excluded from the Security Documentation pursuant to the first

paragraph of Article 4 thereof shall be null and void and ineffective to subject such Item to this Lease. The inspection and acceptance by the Lessee of any Item shall not in any way release any warranty rights which the Lessee or Lessor may have against the Builder thereof.

SECTION 2. RENTALS AND PAYMENT DATES

2.1. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Item subject to this Lease, 40 consecutive semiannual payments in arrears payable on January 2 and July 2 of each year, commencing on July 2, 1982 (each such date being hereinafter sometimes called a "Rental Payment Date"). Subject to the further provisions of this paragraph, the first 20 semiannual rental payments in respect of each Item shall be each in an amount equal to 5.512% of the Purchase Price (as defined in Article 4 of the Security Documentation) of such Item and the last 20 semiannual rental payments shall be each in an amount equal to 6.737% of the Purchase Price of such Item. The rentals payable hereunder have been calculated without taking account of the amounts payable by the Beneficiary pursuant to clause (ii) of Paragraph 9 of the Participation Agreement and, to the extent that Transaction Expenses (as defined in Paragraph 12 of the Participation Agreement) exceed \$37,500, Paragraph 12 of the Participation Agreement. When such amounts are determined the rentals payable on each Rental Payment Date shall be increased by such amount as may be necessary, after giving effect to such payments by the Beneficiary, to preserve the Beneficiary's aftertax economic yield and cash flow utilized by the Beneficiary in originally evaluating this transaction (the "Net Economic Return"). Similar increases in Casualty Values (as defined in § 11.3 hereof) and Termination Values (as defined in § 12.2 hereof) shall be made. Notwithstanding any such adjustments, the rentals payable pursuant to this § 2 on each Rental Payment Date shall in no event be less than the principal and interest payment payable pursuant to Article 4 of the Security Documentation on such Rental Payment Date.

All rental payments payable hereunder shall be made in the lawful currency of the United States of America.

All computations required to be made under this § 2.1 shall be made by the Beneficiary, and the results of such computations shall be delivered to Lessee in writing. Within 10 days after the receipt by Lessee of the results

of such computations, Lessee may request in writing that, at Lessee's expense, independent public accountants of national standing and reputation (selected by the Beneficiary) shall verify such computations, after consultation with the Beneficiary and Lessee.

If any of the Rental Payment Dates is not a business day, the rental payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in Baltimore, Maryland, Hartford, Connecticut, Midland, Michigan, or New York, New York, are authorized or required to close.

2.2. Place of Rent Payment. The Lessor instructs the Lessee to make all the payments provided for in this Lease (other than as specified in the next sentence) at the principal office of the Vendor for application as provided in the Lease Assignment (if then in effect). Any indemnity payable to the Lessor as trustee or in its individual capacity or to the Beneficiary pursuant to § 8.2 hereof and taxes and indemnities payable or reimbursed to the Beneficiary or the Lessor as trustee or in its individual capacity under § 6 hereof shall be paid by check of the Lessee directly to the party to receive the same. The Lessee agrees to make each payment provided for herein to the Vendor by bank wire transfer of Federal funds by 11:00 a.m., Baltimore time, on the date such payment is due.

All amounts earned in respect of the Equipment, including mileage charges, during the term of this Lease shall belong to the Lessee and, if received by the Lessor, shall, to the extent lawful, be promptly turned over to the Lessee so long as no Event of Default exists hereunder.

2.3. Net Lease. This Lease is a net lease. The Lessee's obligation to pay all rent and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including, without limitation:

(a) any setoff, counterclaim, recoupment, reduction, deferment, defense or other right which Lessee may have against the Lessor or any other person for any reason, including any claim of the Lessee against the Lessor or such person;

(b) any defect in the title, condition, design, operation or fitness for use of any Item;

(c) any damage to or loss or destruction of any Item or any interruption or cessation in the use or possession thereof by the Lessee for any reason;

(d) 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;

(e) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Lessee; or

(f) any other circumstances or happening, whether or not similar to the foregoing.

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 Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to § 17 hereof for any reason.

SECTION 3. TERM OF THE LEASE

The term of this Lease as to each Item shall begin on the date of delivery and acceptance of such Item hereunder and, subject to the provisions of §§ 11, 12, 15 and 19.2 hereof, shall terminate on January 2, 2002. The obligations of the Lessee under this Lease shall survive the expiration of the term or the termination of this Lease except as expressly otherwise provided.

All rights and obligations of the Lessee under this Lease and in and to the Items are subject to the rights of the Vendor under the Security Documentation. If an event of default should occur under the Security Documentation, the Vendor may terminate this Lease as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is

entitled to apply the Payments (as defined in Paragraph 1 of the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment under § 18 hereof.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT

4.1. Retention of Title. The Lessor is acquiring legal title to the Equipment as Vendee under the Security Documentation upon compliance with the terms and conditions thereof and the Lessee shall not acquire any right, title and interest to the Equipment except hereunder as Lessee, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee.

4.2. Duty To Number and Mark. The Lessee will cause each Item to be kept numbered with a road number set forth in Schedule A hereto, or as otherwise directed by the Lessor, and in the case of any Item not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Item. The Lessee will maintain permanently and conspicuously marked upon each side of each Item in letters not less than one-half inch in height the following:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT,
THE CONNECTICUT BANK AND TRUST COMPANY, TRUSTEE,
OWNER, MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
TRUSTEE, MORTGAGEE"

with appropriate changes and additions 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 any assignee under § 17 hereof. The Lessee will not place any Item in operation until the required legend shall have been so marked.

The Lessee will not change the road number of any Item unless (i) the Lessor shall have been given 180 days prior written notice from the Lessee of a proposed change, (ii) a statement of new numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Documentation shall have been filed, recorded and deposited and (iii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect. Upon receipt by the Lessor of the notice referred to in clause (i) above with respect to any Item, the Lessor at its option may

direct the Lessee to have such Item marked with a road number selected by the Lessor, and the Lessee at its own cost and expense shall forthwith cause the Item to be marked as directed by the Lessor. The Items may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessee.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Item as a designation that might be interpreted as a claim of ownership.

SECTION 5. DISCLAIMER OF WARRANTIES

THE LESSOR DOES NOT MAKE 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 MAKES NO 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. All such risks, as between the Lessor and the Lessee, are to be borne by the Lessee.

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 a Builder under the provisions of the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. 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 Items or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Items or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation,

servicing, maintenance, repair, improvement or replacement of any Items. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Items 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.

SECTION 6. TAXES

All payments to be made by the Lessee hereunder will be free of expense to the Lessor (both in its individual and fiduciary capacities) and the Beneficiary (for purposes of this § 6 any reference to the Lessor shall also mean the Beneficiary) for collection or other charges and will be free of expense to the Lessor (both in its individual and fiduciary capacities) with respect to the amount of any United States, Canadian or Mexican federal, provincial, local or state taxes other than the following amounts payable by the Lessor in consequence of the receipt of payments provided for herein:

(a) any United States Federal net income tax;

(b) the aggregate of all United States state or local taxes measured by or based on net income of the Lessor, franchise taxes measured by or based on net income of the Lessor, or other franchise taxes in lieu of taxes measured by or based on net income of the Lessor; and

(c) any United States Federal or state minimum tax on items of tax preference (as defined in the Internal Revenue Code Section 57).

In no event shall any taxes referred to in the foregoing clauses (a), (b) and (c) be withheld from rents payable hereunder. Lessee shall also be responsible for any tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided, and for all license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof. All such expenses, taxes, license fees, assessments, charges, fines and penalties for which Lessee is responsible are hereinafter called "Impositions". Lessee assumes and agrees to pay all Impositions before they become delinquent in addition to the payments to be made by it provided for herein.

The Lessee will also pay before they become delinquent all Impositions which may be imposed upon any Item or for the use or operation thereof (except as provided above) or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Item free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Item.

However, the Lessee shall not be under any obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such Impositions, and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the Security Documentation. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof, and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest; provided, however, that the Lessee shall indemnify the Lessor (both in its individual and fiduciary capacities) for all reasonable costs and expenses, including attorneys' fees and disbursements, in connection with such contest. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessor shall have given the Lessee written notice of such Imposition prior to such payment, and within a reasonable time in view of the time for contesting such Imposition.

In the event any reports with regard to Impositions are required to be made, the Lessee will, where permitted so to do under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor as shall be reasonably satisfactory to the Lessor and the Vendor, or where not so permitted will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this

Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition pursuant to this § 6, such liability shall continue, notwithstanding the termination or expiration of this Lease, until such Impositions are paid or reimbursed by the Lessee.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in the Lessor's own name and on the Lessor's behalf to perform such duties; provided, however, that the Lessee shall indemnify and hold the Lessor (both in its individual and fiduciary capacities) harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

In the event that:

(a) the Lessor shall become obligated to make any payment (i) pursuant to Article 6 of the Security Documentation to the Vendor, or (ii) otherwise pursuant to any correlative provision of the Security Documentation except for the interest payable by the Lessor on January 2, 1982, pursuant thereto, or

(b) the Beneficiary shall become obligated to make payment to the Lessor pursuant to any similar provision with respect to taxes in the Trust Agreement not covered by the foregoing paragraph of this § 6,

the Lessee shall pay such additional amounts to the Lessor as will enable the Lessor to fulfill its obligations pursuant to said provision. Such additional amounts shall also be deemed "Impositions" hereunder.

SECTION 7. RULES, LAWS AND REGULATIONS

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects with all applicable laws of the jurisdictions in which operations involving the Items may extend, including, without limitation the interchange rules of the Association of American Railroads and with all lawful rules and regulations of the Department of Transport (Canada) and the United

States Department of Transportation and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Items, to the extent that such laws and rules affect the title, operation or use of the Items (all such laws and rules to such extent being hereinafter called "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal hereof, any Applicable Law requires any alteration, replacement, addition or modification of or to any part on any Item, the Lessee will conform therewith at its own expense, and title to any additions or improvements so made shall thereupon vest in the Lessor.

The Lessee may at its own expense upon written notice thereof to the Lessor, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the Security Documentation.

The Lessee, at its own cost and expense, may furnish additions, modifications and improvements to the Items during the term of this Lease provided that such additions, modifications and improvements are readily removable without damage to the Items and do not adversely affect the value of the Items. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, and shall be removed by the Lessee, at its expense, upon or prior to return of any Item to the Lessor pursuant to § 14 or § 16 hereof, unless the Lessor otherwise agrees.

SECTION 8. MAINTENANCE; INDEMNITY

8.1. Maintenance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Item which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted. Each Item will be consistently maintained in accordance with standards and procedures which shall be no less effective than those practiced by the Lessee as of the date of the Lease and which will conform to any conditions set forth in the applicable Builder's warranties during the term of such warranties. In addition, loading and unloading procedures will be followed which shall be no less effective than those currently utilized by the Lessee.

8.2. Indemnity. The Lessee agrees to indemnify, protect and hold harmless the Lessor (in both its individual and fiduciary capacities), the Beneficiary and the Vendor from and against all losses, damages, injuries, liabilities (including, without limitation, strict liability in tort), claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith (including, but not limited to counsel fees and expenses), patent liabilities, penalties and interest arising out of or as the result of the entering into or the performance of the Security Documentation, the Participation Agreement or this Lease, the ownership of any Item, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Item or any accident in connection with the operation, use, condition, possession, storage or return of any Item resulting in damage to property or injury or death to any person (except as otherwise provided in § 14 of this Lease), or the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Documentation (all of which matters hereinabove set forth being called the "Indemnified Matters"). The indemnities arising under this paragraph shall survive the full payment of all obligations under this Lease and the expiration or termination of the term of this Lease.

The foregoing indemnities shall not extend to any loss, damage, injury, liability, claim, demand, cost, charge or expense incurred by any indemnified party (a) caused by the wilful misconduct or gross negligence of such indemnified party, (b) resulting from acts or events with respect to any Item which commence after such Item has been returned to the Lessor in accordance with § 14 hereof, (c) arising from the breach of a representation or warranty of such indemnified party made herein or in any of the documents related to the transactions contemplated hereby, or (d) caused by the violation by such indemnified party of any banking, investment, insurance or securities law, rule or regulation applicable to it (unless such violation shall be the result of any written misrepresentation, violation or act of the Lessee).

SECTION 9. LIENS ON THE EQUIPMENT

The Lessee shall pay or satisfy and discharge

(a) any and all claims against, through or under

the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item,

(b) any liens or charges which may be levied against or imposed upon any Item as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, and

(c) any other liens or charges which arise by virtue of claims against, through or under any party other than the Lessor,

but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title of the Lessor or the security interest of any assignee under § 17 hereof in and to the Equipment. The Lessee shall give the Lessor written notice of the commencement of any such contest. The Lessee's obligations under this § 9 shall survive the expiration or termination of this Lease.

This covenant will not be deemed 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.

SECTION 10. FILING

The Lessee, at its own expense, will cause this Lease, the Security Documentation and each assignment hereof or thereof to be filed and recorded with (i) the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303, (ii) the States of Connecticut and Michigan by filing financing statements, (iii) in the applicable offices of British Columbia, Alberta, Saskatchewan, Ontario, Manitoba and Pictou County, Nova Scotia, and (iv) in the applicable office of each other county, province or territory in Canada in which any Item will be used, subject to the proviso set forth in the next sentence. The Lessee will undertake, at its own expense, the filing, registering, deposit and recording

required of the Lessor under the Security Documentation and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Items, or for the purpose of carrying out the intention of this Lease, the Security Documentation and the assignment thereof to the Vendor; provided, however, that the Lessee shall not be required to take any such action in respect of the jurisdictions referred to in clause (iii) above if (1) the Lessee deems such action to be unduly burdensome, (2) after giving effect to the failure to take such action, the Lessee has taken all action required by law to protect the title of the Lessor to, and the security interest of the Vendor in, Items having a fair market value of not less than 85% of all the Items then subject to this Lease and (3) any Item at any time located in such jurisdiction shall have been marked with markings specified in § 4 hereof.

The Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording and an appropriate opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the Security Documentation shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Item.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE

11.1. Insurance. From the time any Item is accepted by the Lessee and throughout the term of this Lease, (i) the Lessee may, at its sole expense and in its sole discretion, self-insure any or all of the Items in respect of events of actual or constructive loss of the Equipment, including, but not limited to, insurance against the loss of, or damage to the Equipment, and (ii) the Lessee will, if reasonably requested to by the Lessor or the Vendor, at its sole expense, obtain and maintain insurance on each Item from time to time subject hereto, with such insurers, covering such risks as the Lessor or the Vendor may reasonably require with respect to public liability and third-party property damage insurance cover-

ing liability for personal injuries, death or property damage resulting from the ownership, maintenance, use or operation of the Equipment. All insurance policies required hereby shall, without limitation of the foregoing:

(i) name the Lessor and the Vendor as additional insureds as their respective interests may appear; and

(ii) provide that the policy may not be canceled or materially altered without 30 days' prior written notice to the Lessor and the Vendor.

To the extent that the Lessee is not self-insuring any or all of the Items, the Lessee hereby agrees to provide the Lessor and the Vendor with certificates evidencing the coverages specified in this Section; said certificates will be delivered to the Lessor and the Vendor on or before April 30 in each year, commencing with the year 1982; provided, however, that if the delivery of any certificate is delayed, the Lessee shall deliver an executed binder with respect thereto and shall deliver the certificate upon receipt thereof.

In the event of loss and the Lessee has self-insured the Equipment as provided above, the Lessee will make such payments, hereinafter called "self-insurance proceeds", and take such other action as would have been required to have been taken by each insurance company which would have been obligated in respect of such insurance had such insurance been obtained and maintained by the Lessee.

If the Lessor shall receive any insurance or self-insurance proceeds from insurance maintained by the Lessee pursuant hereto or directly from the Lessee pursuant to the Lessee's right to self-insure any or all of such Items or shall receive condemnation payments in respect of an Item suffering a Casualty Occurrence (as defined in § 11.2 hereof), the Lessor shall, subject to the Lessee having made payment of the Casualty Value (as defined in § 11.3 hereof) in respect of such Item, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee, and any balance of such proceeds or condemnation payments shall remain the property of the Lessor; provided, however, that no Event of Default shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such Items, to

the Lessor. All insurance or self-insurance proceeds received by the Lessor in respect of any Item not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Item in respect of which such proceeds were paid has been fully repaired.

11.2. Duty of Lessee To Notify Lessor. In the event that any Item is lost, stolen, destroyed or irreparably damaged from any cause whatsoever, returned to the Builder pursuant to the patent indemnity provisions of the Security Documentation, or taken or requisitioned by governmental authority by condemnation or otherwise resulting in loss of Lessor's ownership thereof or in loss of possession by the Lessee for a period which extends beyond the term of this Lease, except a requisition for use by the United States or Canadian Government which does not result in the Lessor's loss of ownership thereof (such occurrences being herein called "Casualty Occurrences"), prior to the return of such Item in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. In addition, any Item which shall be the subject of a requisition for use by the United States Government or Canadian Government at the time this Lease is terminated by reason of the occurrence of an Event of Default pursuant to § 15 hereof shall, on the date of such termination, be deemed to have suffered a Casualty Occurrence.

On the Rental Payment Date next succeeding such notice (the "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Item due and payable on such Casualty Payment Date plus a sum equal to the Casualty Value of such Item as of the date of such payment, except that with respect to a requisition for an indefinite period which in fact extends beyond the term of this Lease, such payment shall be made on the final Rental Payment Date.

11.3. Casualty Value. The "Casualty Value" of each Item as of any Casualty Payment Date shall be that percentage of the Purchase Price of such Item as is set forth in Schedule B hereto opposite such date.

Whenever any Item shall suffer a Casualty Occurrence on or after termination of this Lease and before such

Item shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Item as of the time of the termination of this Lease.

Upon the making of such payment by the Lessee in respect of any Item, the rental for such Item shall cease to accrue, the term of this Lease as to such Item shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Item) the Lessor shall be entitled to recover possession of such Item.

11.4. Disposition of Equipment. The Lessor hereby appoints the Lessee its agent to dispose of any such Item suffering a Casualty Occurrence, at the best price obtainable under the circumstances on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value thereof to the Lessor, the Lessee shall be entitled to the proceeds of such sale (after deduction of all reasonable selling costs) to the extent they do not exceed the Casualty Value of such Item, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Item returned to the Builder pursuant to the patent indemnity provisions of the Security Documentation in an amount equal to any payment made by the Builder to the Lessor in respect thereof under the Security Documentation.

11.5. Requisition. In the event of the requisition for use by the United States or Canadian government (hereinafter called the "Government") of any Item during the term of this Lease or any renewal thereof which does not constitute a Casualty Occurrence, all of the Lessee's obligations under this Lease with respect to such Item shall continue to the same extent as if such requisition had not occurred, except that if such Item is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Item to the Lessor pursuant to § 14 or 16 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 14 or 16, as the case may be, with respect to such Item. All payments received by the Lessor or the Lessee from the

Government for the use of such Item during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from such Government for the use of such Item after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

11.6. Risk of Loss. Except as hereinabove in this § 11 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 Item from and after delivery and acceptance thereof by the Lessee hereunder.

SECTION 12. EARLY TERMINATION

12.1. Election To Terminate. In the event that the Lessee shall, in its reasonable judgment, determine that any Group of Items (as hereinafter defined) has become economically obsolete in the Lessee's business, the Lessee shall have the right during the initial term of this Lease, at its option and on at least 180 days' prior written notice to the Lessor, to terminate (hereinafter called a "Termination") this Lease as to such Group of Items as of any succeeding Rental Payment Date specified in such notice (the termination date specified in such notice being hereinafter called the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than January 2, 1989, (ii) no Event of Default or other event which after the lapse of time or notice or both would become an Event of Default shall have occurred and be continuing, (iii) on the Termination Date each Item in such Group shall be in the same condition as if being redelivered pursuant to § 14 hereof, (iv) on the Termination Date the Lessor shall have paid to the Vendor the Casualty Value (as defined in Article 7 of the Security Documentation) of the Items in the Group in accordance with Article 7 of the Security Documentation and (v) on the Termination Date the Lessee shall deliver to the Lessor and the Vendor a certificate signed by the management official having responsibility for such matters stating that the Group then subject to termination has become economically obsolete in the Lessee's business. The Lessee shall not be permitted to declare Equipment "economically obsolete"

pursuant to the first sentence of this § 12.1 solely because at the time of termination, the Lessee is able to purchase, lease or otherwise obtain the use of other equipment of a similar type and specifications at a cost less than that for Equipment then subject to this Lease. For this purpose, the term "Group of Items" shall mean all units with the same Builder's Specifications (as set forth in Schedule A hereto) subject to this Lease at the Termination Date.

12.2. Obtain Bids; Sale. During the period from the 90th day after the giving of such notice until the 5th business day preceding the Termination Date, the Lessee shall use its best efforts, and the Lessor may assist if it so chooses, to obtain bids for the purchase of all Items in such Group, and the Lessee shall at least five business days prior to such Termination Date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Unit) submitting such bid. On the Termination Date the Lessor shall sell all Items in such Group for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at each such sale shall be retained by the Lessor.

On such Termination Date, the Lessee shall pay to the Lessor (i) the excess, if any, of the Termination Value as defined below in this paragraph for each such Item computed as of such date over the sale price of such Item after the deduction of all expenses incurred by the Lessor in connection with such sale and (ii) the rental payment due on such Termination Date. The "Termination Value" of each such Item as of the Rental Payment Date on which payment is to be made shall be that percentage of the Purchase Price of such Item as is set forth in Schedule B hereto opposite such date. In no event shall the aggregate amount retained by the Lessor and received by the Lessor as aforesaid be less than the Casualty Value (as defined in Article 7 of the Security Documentation) for each such Item as of such date.

If no sale shall occur on the date scheduled therefor as provided above, this Lease shall continue in full force and effect without change unless and until the Lessee pays the Lessor an amount equal to the Termination Value and returns any unsold Item to the Lessor pursuant to § 14 hereof.

In the event of any such sale and the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 2 hereof in respect

of such Item on each Rental Payment Date shall continue to and including the Termination Date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale other than to transfer or to cause to be transferred all of the Lessor's right, title and interest in and to such Item to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided. Any such sale shall be free and clear of all the Lessee's rights to such Item, but otherwise shall be made without warranties other than against the Lessor's acts.

12.3. Election To Retain Items. If the Lessee shall exercise its option to terminate this Lease with respect to a Group of Items, the Lessor may, notwithstanding such election by the Lessee, by written notice to the Lessee given 90 days after the termination notice is given to the Lessor, elect to retain such Items, in which case the Lessee shall not be obligated to solicit bids or pay the Termination Value to the Lessor; provided, however, that this Lease shall not terminate as to such Items unless the Conditional Sale Indebtedness in respect of such Items is prepaid on the Termination Date pursuant to Article 7 of the Security Documentation. In the event the Lessor shall so elect to retain such Items, the Lessee shall deliver such Items to the Lessor in accordance with the provisions of § 14 hereof.

SECTION 13. ANNUAL REPORTS

13.1. Duty of Lessee To Furnish. On or before April 30, 1982, and annually thereafter, the Lessee will furnish to the Lessor, the Vendor and any other assignee thereof pursuant to § 17 hereof an accurate statement, as of the preceding December 31, (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition, repair or country of use of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by § 4.2 hereof shall have been preserved or replaced.

13.2. Lessor's Inspection Rights. The Lessor, the Vendor and any other assignee thereof pursuant to

§ 17 hereof each shall have the right, at their respective sole cost and expense, by their respective authorized representatives, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Equipment during the continuance of this Lease.

13.3. Other Reports. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Equipment or the interest of the Vendor therein or the leasing thereof to the Lessee.

SECTION 14. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM

Upon the expiration of the term of this Lease with respect to any Item, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item to the Lessor at such location in Canada as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item at such place for a period not exceeding 90 days from the date on which 90% of the Items then subject to this Lease (excluding Items with respect to which the term of this Lease is being renewed pursuant to § 19.2 hereof) are placed in storage under this § 14. Notwithstanding the previous sentence, the Lessee may elect to deliver and store any Item at a location selected by the Lessee within a reasonable distance from the location designated by the Lessor; provided, however, that within 30 days after receipt of a written request from the Lessor, the Lessee shall deliver such Item to the location originally designated by the Lessor. All movement and storage of each such Item is to be at the risk and expense of the Lessee, and the insurance requirements contained in § 11.1 hereof shall continue to apply throughout such period of movement and storage. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The provisions of this § 14 are of the

essence of this Lease, and accordingly the Lessor shall be entitled to specific performance thereof. Each Item returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. All amounts earned in respect of the Equipment after the date of expiration of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item is not assembled, delivered and stored as hereinabove provided within 30 days after the expiration of this Lease, the Lessee shall, in addition, pay to the Lessor for each day (a) after such 30th day and until 60 days after the expiration of this Lease, an amount equal to the amount, if any, by which 1/180th of the last rental payment due hereunder prior to the expiration of this Lease exceeds the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence (the "Daily Rate") and (b) thereafter, twice the Daily Rate.

SECTION 15. DEFAULT

15.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) default shall be made in the payment of any part of the rental, Casualty Value or Termination Value provided in § 2, 11 or 12 hereof and such default shall continue for 10 days;

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

(c) any representation or warranty made by the Lessee herein or in the Participation Agreement or in any statement or certificate furnished to the Lessor, the Vendor or the Original Investor pursuant to or in connection with this Lease or the Participation Agreement proves untrue in any material respect as of the date of issuance or making thereof and

remains unremedied for 30 days after written notice from the Lessor or the Vendor specifying the default and demanding that the same be remedied;

(d) default shall be made in the observance or performance of any of the covenants and agreements on the part of the Lessee contained herein or in the Participation Agreement and any 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; or

(e) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against Lessee or any other proceedings shall be commenced by or against the Lessee for any relief which includes any modification of the obligations of the Lessee hereunder, under the Participation Agreement or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extension (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 such obligations shall not 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 the property of the Lessee in connection with any such proceedings, in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced.

15.2. Remedies. If any Event of Default has occurred and is continuing, 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 right of the Lessee to the

use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors, assigns or sublessees, to use such Items for any purpose whatever, but the Lessor shall nevertheless have a right to recover from the Lessee any and all amounts 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 or such assignee, as the case may be, in its sole discretion, shall specify:

(x) a sum with respect to each Item which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 9% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or

(y) an amount equal to the excess, if any, of the Casualty Value of such Item as of the Rental Payment Date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value thereof at such time;

provided, however, that in the event any Item shall have been sold, the Lessor, in lieu of collecting any amounts payable with respect thereto by the Lessee pursuant to the preceding clauses (x) and (y) with respect thereto, may, if it shall so elect, demand that the Lessee pay and the Lessee shall pay to the Lessor, on the date of such sale, 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 of such Item as of the Rental Payment Date on or immediately preceding the date of termination over the net proceeds of such sale. In addition, Lessee shall pay to Lessor any damages and expenses, other than for a failure to pay rental, including reasonable attorneys' fees and disbursements, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental. Any sale in a commercially reasonable manner of any Item prior to any such determination shall conclusively establish the sales value of such Item and any rental in a commercially reasonable manner of any Item shall conclusively establish the fair rental value of such Item.

15.3. Cumulative Remedies, etc. No remedy is exclusive of any other remedy. All remedies available to Lessor are cumulative and are in addition to all other remedies available to it at law or in equity. Nevertheless, Lessor shall be entitled to only one satisfaction of the Lessee's obligations. Failure by the Lessor to exercise a right shall not constitute a waiver of it. A waiver by the Lessor of an Event of Default shall not constitute a waiver of any other Event of Default. The Lessee hereby waives to the extent permitted by law any mandatory requirements of law now or later in effect which might limit or modify any remedies provided herein.

15.4. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor and the Vendor, promptly upon any responsible officer's becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof and indicating the intention or expectation of the Lessee as to the disposition thereof. For the purposes of this § 15.4, a "responsible officer" shall mean, with respect to the subject matter of any

covenant, agreement or obligation of the Lessee contained in this Lease, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 16. RETURN OF EQUIPMENT UPON DEFAULT

16.1. Lessee's Duty To Return. If the Lessor shall terminate this Lease pursuant to § 15 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Item or Items have been interchanged to return the Item or Items so interchanged) place such Items upon such storage tracks in Canada or in the United States within 500 miles of Detroit, Michigan, as the Lessor reasonably may designate;

(b) permit the Lessor to store such Items on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Items have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any reasonable place within 500 miles on any lines of any railroad or to any connecting carrier for shipment, all as directed by the Lessor.

Each Item returned to the Lessor pursuant to this § 16 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. All amounts earned in respect of the Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by

the Lessee, shall be promptly turned over to the Lessor. In the event any Item is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 1/180th of the last rental payment due hereunder prior to termination of this Lease exceeds the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

16.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and accordingly the Lessor shall be entitled to specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

16.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 16, 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 Items to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whosoever shall be at the time in possession of such Item.

SECTION 17. ASSIGNMENTS BY LESSOR

Except for an assignment to a successor trustee appointed as provided in Article VII of the Trust Agreement, this Lease shall not be assignable in whole or in part by the Lessor without the consent of the Lessee, such consent not to be unreasonably withheld by the Lessee, but the Lessee shall be under no obligation to the assignee except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee and such assignee shall have all of the rights of the Lessor hereunder as may be specified in such assignment.

SECTION 18. ASSIGNMENTS BY LESSEE; USE AND POSSESSION;
PRIORITY

18.1. Lessee's Rights to the Equipment. So long as (i) the Lessee shall not be in default under this Lease, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in Paragraph 1 of the Lease Assignment) in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Items in accordance with the terms of this Lease. The Lessee may sublease the Items to an Affiliate (as defined below in this § 18.1), to a railroad classified by the Interstate Commerce Commission as a Class I railroad or to a major Canadian railroad or any other responsible company pursuant to a written sublease and subject to the prior written consent of the Lessor and the Vendor, which shall not be unreasonably withheld. The Lessor hereby consents to such a sublease to Dow Chemical of Canada, Limited ("Dow Canada"). Any sublease will not release the Lessee from its obligations hereunder. Every such sublease shall expressly subject the rights of the sublessee under such sublease to the rights of the Lessor in respect of the Items covered by such sublease upon the occurrence of an Event of Default. For the purpose of this § 18.1, "Affiliate" shall mean any corporation which, directly or indirectly, controls or is controlled by, or is under common control with, the Lessee. For the purposes of this definition, "control (including controlled by and under common control with)", as used with respect to any corporation, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise.

18.2. Use. So long as (i) the Lessee shall not be in default under this Lease, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession of the Items and to the use of the Items by it or Dow Canada (x) primarily in Canada, (y) in Mexico; provided, however, that use of the Items in Mexico is limited

in number of Items to not more than 30% of the number of Items then subject to this Lease until such time, if any, as (A) the Vendor and the Lessor are reasonably satisfied that proper protection of the right, title and interest of the Lessor and the Vendor in the Items is possible in Mexico, and (B) the Lessee shall first have (a) taken all necessary action to protect the right, title and interest of the Lessor and the Vendor in this Lease and in the Items to be so subleased or used and (b) furnished the Lessor and the Vendor with an opinion of Mexican counsel satisfactory to the Lessor and the Vendor to the effect that such action is all that is necessary to protect the right, title and interest of the Lessor and the Vendor in such Items and (z), incidentally, in the United States of America. Use in any such case shall be only upon lines over which the Lessee or Dow Canada has or obtains trackage or other operating rights or over which railroad equipment of the Lessee or Dow Canada is regularly operated or upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease. To the extent lawful, the Lessee may receive and retain compensation for such use from other railroads so using any of the Items. The Lessee and the Lessor are entering into this Lease in the expectation that the primary use of the Items will be in Canada. The Lessee may hereafter use the Items primarily in the United States of America, but only with the prior written consent of the Lessor confirming that arrangements satisfactory to the Beneficiary have been made to compensate the Beneficiary for the economic or tax effect to it of the shift of usage from Canada to the United States of America.

SECTION 19. DUTY OF FIRST OFFER; RENEWAL OPTIONS

19.1. Duty of First Offer. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, and provided that this Lease is not extended pursuant to § 19.2 hereof, in the event the Lessor elects to sell any Items to unrelated third parties within a period of one year after the expiration of the original term of this Lease, then, the Lessor shall first offer such Items for sale to the Lessee at their fair market value. If after 45 days from the giving of notice by the Lessor to

the Lessee of its intention to sell the Items, the Lessor and Lessee are unable to agree upon a determination of a sale price, the Lessor shall be free to offer and sell the Items to other persons at a price not less than the last price offered by Lessor to Lessee prior to the termination of sale negotiations between the Lessor and Lessee.

19.2. Renewal Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 6 months nor more than 12 months prior to the end of the original term elect to extend the term of this Lease in respect of all (but not fewer than all) the Items in any Group of Items (as defined in § 12 hereof) then covered by this Lease, for one additional 5-year period commencing on the scheduled expiration of the original term on condition that the total number of all Items being renewed is not less than 25, at a rental per Item equal to (a) 60% of the average semi-annual rental rates in effect hereunder during the basic term of this Lease multiplied by (b) the Purchase Price thereof, payable in semiannual payments on each semiannual anniversary of the original term.

SECTION 20. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rent due hereunder shall result in the additional obligation on the part of the Lessee to pay also an amount equal to the lesser of (i) the highest rate permitted by applicable law or (ii) the rate which is the greater of (x) 15% per annum or (y) the rate at the time charged by Citibank, N.A., for 90-day loans to its most favored customers on the overdue rentals or other obligations of the Lessee hereunder for the period of time during which they are overdue.

SECTION 21. MISCELLANEOUS

21.1. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid,

addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with a copy to the Beneficiary at such address as it shall have furnished for such purpose; and

(b) if to the Lessee, at 2030 Dow Center, Midland, Michigan 48640, attention of Corporate Treasury Department;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at Two Hopkins Plaza, P. O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department, or such other address designated by the Vendor.

21.2. Right of Lessor To Perform. If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made and all cost and expense (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest as determined for overdue rentals pursuant to § 20.

21.3. Execution in Counterparts. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be stamped "Original" and shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

21.4. Law Governing. This Lease shall be construed in accordance with the laws of the State of Michigan; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal

statute, rule or regulation.

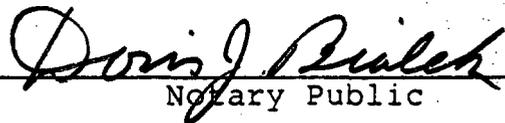
21.5. Severability. Any provision of this Lease, which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability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

21.6. Immunities; No Recourse. 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, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company, or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct, in the case of said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiary on account of this Lease or on account of any representation, warranty, undertaking or agreement of the Lessor or the Beneficiary, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee, the Vendor and by all persons claiming by, through or under either of them.

IN WITNESS WHEREOF, the parties hereto have

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 13th day of January 1981, before me personally appeared DAVID M. BUTTON, to me personally known, who, being by me duly sworn, says that he is an authorized signatory of THE DOW CHEMICAL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.


Notary Public

[Notarial Seal]

My Commission expires

DORIS J. BIALEK
NOTARY PUBLIC, State of New York
No. 24-0284525
Qualified in Kings County
Cert. filed in New York County
Commission Expires March 30, 1981

STATE OF NEW YORK,)
) ss.:
COUNTY OF YORK YORK,)

On this 13th day of January 1981, before me personally appeared FREDERICK KAWAN, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.


Notary Public

[Notarial Seal]

My Commission expires

DORIS J. BIALEK
NOTARY PUBLIC, State of New York
No. 24-0284525
Qualified in Kings County
Cert. filed in New York County
Commission Expires March 30, 1981

SCHEDULE A TO LEASE

HS

| Type | Designation | Builder's Specifications | Quantity | Road Number** |
|------------------------------|--------------|---|----------|-----------------------|
| Caustic Soda Cars | 111-A-100W-1 | Engineering Data Sheet No. D-172, May 7, 1980. General Arrangement Drawing No. A154F222, May 7, 1980. | 79 | CGBX 6305- 6383 |
| Ethylene Glycol Cars | 111-A-100W-1 | Engineering Data Sheet D-158, Rev. A., October 3, 1979. General Arrangement Drawing No. A154F208, October 3, 1979. | 35 | CGBX 4360- 4394 |
| Ethylene Dichloride | 111-A-100W-1 | Engineering Data Sheet No. D-183, December 23, 1980. General Arrangement Drawing No. A154F228, December 23, 1980. | 35 | CGBX 4090- 4124 |
| Solvents | 111-A-100W-1 | Engineering Data Sheet D-179, Rev. A, October 15, 1980. General Arrangement Drawing No. A154F223, July 8, 1980. | 22 | CGBX 5000- 5021 |
| Voranol* | 111-A-100W-1 | Engineering Data Sheet No. D-175, May 28, 1980. General Arrangement Drawing No. A154F224, May 28, 1980. | 8 | CGBX 5022- 5029 |
| Vinyl Chloride Cars | 105-A-300W | 106-7 | 18 | DCLX 1215- 1232 |
| Vacuum Pneumatic Hopper Cars | LO | L254 | 19 | DCLX 7097- 7115 |
| Ethylene Oxide Cars | 105-A-300-W | 106-6 | 73 | DCLX 2000-2072 |
| Anhydrous Hydrogen Cars | 105-A-600W | 109-1 | 3 | DCLX 2800- 2802 |
| Chlorine Cars | 105-A-500W | 108-8 | 20 | DCLX 3026-3045 |

Procor LTD

* Voranol is a trademark of The Dow Chemical Company.

** The Quantities and Road Numbers listed above include Items which are covered by a lease dated as of December 15, 1980, among the parties hereto but with the owner trustee acting for a different beneficiary. To the extent that such Items are not delivered and accepted prior to June 30, 1980, under that lease, they will automatically be eligible for delivery and acceptance hereunder after July 1, 1981. Upon completion of all deliveries under both leases (such completion to be not later than December 31, 1981), this Schedule A will be appropriately amended to delete the Equipment listed above which has not become subject to this Lease.

SCHEDULE B TO LEASE

| <u>Payment Date</u> | <u>Casualty Value Percentage</u> | <u>Termination Value Percentage</u> |
|----------------------------|--------------------------------------|---|
| During 1981 | 105.0 | |
| July 2, 1982 | 105.0 | |
| January 2, 1983 | 106.3 | |
| July 2, 1983 | 107.4 | |
| January 2, 1984 | 108.3 | |
| July 2, 1984 | 109.1 | |
| January 2, 1985 | 110.0 | |
| July 2, 1985 | 110.3 | |
| January 2, 1986 | 110.6 | |
| July 2, 1986 | 110.8 | |
| January 2, 1987 | 110.8 | |
| July 2, 1987 | 110.7 | |
| January 2, 1988 | 110.5 | |
| July 2, 1988 | 110.1 | |
| January 2, 1989 | 110.0 | 110.0 |
| July 2, 1989 | 108.9 | 108.9 |
| January 2, 1990 | 108.1 | 108.1 |
| July 2, 1990 | 107.2 | 107.2 |
| January 2, 1991 | 106.2 | 106.2 |
| July 2, 1991 | 105.0 | 105.0 |
| January 2, 1992 | 103.7 | 103.7 |
| July 2, 1992 | 102.3 | 102.3 |
| January 2, 1993 | 99.4 | 99.4 |
| July 2, 1993 | 96.4 | 96.4 |
| January 2, 1994 | 93.3 | 93.3 |
| July 2, 1994 | 90.0 | 90.0 |
| January 2, 1995 | 86.5 | 86.5 |
| July 2, 1995 | 82.9 | 82.9 |
| January 2, 1996 | 79.1 | 79.1 |
| July 2, 1996 | 75.1 | 75.1 |
| January 2, 1997 | 74.8 | 74.8 |
| July 2, 1997 | 70.7 | 70.7 |
| January 2, 1998 | 66.4 | 66.4 |
| July 2, 1998 | 61.9 | 61.9 |
| January 2, 1999 | 57.3 | 57.3 |
| July 2, 1999 | 52.5 | 52.5 |
| January 2, 2000 | 47.5 | 47.5 |
| July 2, 2000 | 42.3 | 42.3 |
| January 2, 2001 | 36.9 | 36.9 |
| July 2, 2001 | 31.4 | 31.4 |
| January 2, 2002 | 25.6 | 25.6 |
| In the event of a renewal: | | |
| January 2, 2002 | 25.0 | |
| July 2, 2002 | 24.5 | |
| January 2, 2003 | 24.0 | |
| July 2, 2003 | 23.5 | |
| January 2, 2004 | 23.0 | |
| July 2, 2004 | 22.5 | |
| January 2, 2005 | 22.0 | |
| July 2, 2005 | 21.5 | |
| January 2, 2006 | 21.0 | |
| July 2, 2006 | 20.5 | |
| January 2, 2007 | 20.0 | |

SCHEDULE C TO LEASE

Certificate of Acceptance

To: The Connecticut Bank and Trust Company,
as Trustee (the "Lessor")
One Constitution Plaza
Hartford, Connecticut 06115
Attention of Corporate Trust Department

I, the duly authorized representative of The Connecticut Bank and Trust Company (herein the "Lessor") and The Dow Chemical Company (herein the "Lessee"), for the purposes of the Conditional Sale Agreement dated as of December 23, 1980, between _____ and Lessor and the Lease dated December 23, 1980, between Lessee and 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 said Conditional Sale Agreement and Lease and the applicable specifications, requirements and standards referred to in said Conditional Sale Agreement, and that there has been delivered to the Lessor at _____

_____, and fully and finally accepted by me on behalf of the Lessee and the Lessor (both under said Conditional Sale Agreement and said Lease), the following units of railroad equipment constructed by _____ pursuant to said Conditional Sale Agreement:

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

I DO FURTHER CERTIFY that, in accordance with Article 9 of the said Conditional Sale Agreement and Section 4.2 of the said Lease, there is plainly, distinctly, permanently and conspicuously marked on each side of each of said units the following legend in letters not less than one-half inch in height:

"Ownership subject to a Security Agreement, The Connecticut Bank and Trust Company, Trustee, Owner, Mercantile-Safe Deposit and Trust Company, Trustee, Mortgagee."

Dated: , 1981.

Authorized Representative of
Lessor and Lessee

Builder:

[Hawker Siddeley Canada Inc.]
or
[Procor Limited]