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RECORDATION NO. 12692-A

MAY 5 1988-2 25 PM
No. 8-126A083
Date MAY 5 1988
Fee \$ 13.00
INTERSTATE COMMERCE COMMISSION

ICC Washington, D. C.

May 4, 1988

Canat Limited
Equipment Trust Financing
Dated as of April 1, 1988
\$2,500,000 Aggregate Principal Amount
Equipment Trust Certificates due May 1, 1996

Dear Ms. McGee:

We are enclosing on behalf of Canat Limited executed counterparts of the Assignment of Lease and Agreement dated as of April 1, 1988, for recordation pursuant to 49 U.S.C. § 11303. The aforementioned document relates to a Lease of Equipment recorded December 30, 1980, at 4:45 p.m., under Recordation No. 12692 and it is requested that this document also be recorded under that number.

This is under 12692

The parties to the enclosed agreement are:

Trustee-Lessor
Mercantile-Safe Deposit and Trust Company
Two Hopkins Plaza
Baltimore, Maryland 21201

Company-Lessee

Canat Limited
935 de La Gauchetiere Street West
Montreal, Quebec H3B2M9
CANADA

Counterpart of Harold Siegel

Enclosed is our check for \$13 for the required fee. Please accept for recordation one counterpart of the enclosed Agreement, 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,

Laurance V. Goodrich
Laurance V. Goodrich

Noreta R. McGee, Secretary,
Interstate Commerce Commission,
Washington, D.C. 20423

Encls.

REGISTRATION NO. 12682 A FINE 1400

MAY 5 1988-2 00 PM

INTERSTATE COMMERCE COMMISSION

ASSIGNMENT OF LEASE AND AGREEMENT dated as of April 1, 1988, by and between Canat Limited, a Delaware corporation ("Company") and Mercantile-Safe Deposit and Trust Company as Trustee ("Trustee") under an Equipment Trust Agreement dated as of April 1, 1988 ("Equipment Trust Agreement"), between the Trustee and the Company.

WHEREAS the Company, as Lessor, and Canadian National Railway Company as Lessee ("Lessee") have entered into a Lease (as defined in the Equipment Trust Agreement), providing for the leasing by the Company to the Lessee of the Units (as defined in the Lease); and

WHEREAS, in order to provide security for the obligations of the Company under the Equipment Trust Agreement and as an inducement to the purchaser of the equipment trust certificates to be issued under the Equipment Trust Agreement to purchase said certificates, the Company has agreed to assign for security purposes its rights in, to and under the Lease to the Trustee;

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. As security for the payment and performance of its obligations under the Equipment Trust Agreement, the Company hereby assigns, transfers and sets over unto the Trustee all the Company's right, title and interest as Lessor under the Lease, together with all rights, powers, privileges and other benefits of the Company as Lessor under the Lease including without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Company from the Lessee under or pursuant to the provisions of the Lease whether as

rent, casualty payment, indemnity, liquidated damages or otherwise (such moneys being hereinafter called "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the lease, and to do any and all other things whatsoever which the Company, as Lessor, is or may become entitled to do under the Lease.

The Company agrees to cause all the Payments to be made directly to the Trustee at Baltimore, Maryland. To the extent received, the Trustee will apply all Payments as follows: first, to or toward the payment of all amounts due and payable under the Equipment Trust Agreement by the Company on the date (or the next succeeding Business Day as defined in the Equipment Trust Agreement) such Payments are required to be paid pursuant to the Lease and the Trustee shall credit such payments so applied to the amounts so due and payable or so to become due and payable; and second, so long as, to the actual knowledge of the Trustee, no Event of Default (as defined in the Equipment Trust Agreement) or event known to the Trustee which, with notice or lapse of time or both, would constitute an Event of Default ("Default") shall have occurred and then be continuing, any balance of such Payments remaining shall be paid over to the Company by the Trustee. So long as, to the actual knowledge of the Trustee, a Default shall then be continuing, the Trustee shall not pay over to the Company any of the Payments pursuant hereto, but, during such continuance, shall apply all Payments in a manner consistent with the provisions of the Equipment Trust Agreement. Anything in this Agreement to the contrary notwithstanding, no amounts shall be considered to be due and payable by the Company under the Equipment Trust Agreement in the event that such amounts shall have been indefeasibly paid by the Lessee to the Trustee pursuant to the Lease, the Equipment Trust Agreement, this Assignment and/or the Lessee's Consent annexed hereto.

2. The Assignment made hereby is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Trustee to, or transfer, or pass, or in any way affect or modify any liability of the Company under the Lease, it being understood and agreed that notwithstanding such assignment or any subsequent assignment all obligations of the Company to the Lessee under the Lease shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Company or persons other than the Trustee.

3. To protect the security afforded by this Assignment the Company agrees as follows:

(a) Faithfully to abide by, perform and discharge each and every obligation, covenant and agreement of the Lease by the Company to be performed; at the sole cost and expense of the Company (except as otherwise provided herein or by any of the instruments or agreements referred to herein or in the Equipment Trust Agreement), to enforce or secure the performance of each and every obligation, covenant, condition and agreement contained in the Lease by the Lessee to be performed; without the written consent of the Trustee, not to anticipate the rents under the Lease or to waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein; to hold any Payments received by the Company which are assigned and set over to the Trustee by this Assignment in trust for the Trustee and to turn them over to the Trustee forthwith in the same form in which they are received for application in accordance with the terms and conditions hereof.

(b) That should the Company fail to make any payment or to do any act as herein provided, then the Trustee, but without obligation so to do and without notice to or demand on the Company and without releasing the Company from any obligation hereunder, may make or do the same in such manner and to such extent as the Trustee may deem necessary to protect the security hereof, including specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect the security hereof and the rights or powers of the Trustee, and also the right to perform and discharge each and every obligation, covenant and agreement of the Company contained in the Lease; and in exercising any such powers to pay necessary costs and expenses, employ counsel and incur and pay reasonable attorneys' fees, which shall be reimbursed to it by the Company.

4. The Company does hereby constitute the Trustee the Company's true and lawful attorney, irrevocably, with full power (in the name of the Company, or otherwise), to ask, require, demand, receive, compound and give acquittance

for any and all Payments due and to become due under or arising out of the Lease to which the Company is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Trustee may deem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all the Company's obligations under the Equipment Trust Agreement, the assignment made hereby and all rights herein assigned to the Trustee shall terminate, and all estate, right, title and interest of the Trustee in and to the Lease and the Payments shall revert to the Company.

6. The Company represents and warrants that (a) the execution and delivery by the Company of the Lease, this Assignment and the Equipment Trust Agreement have each been duly authorized, and the Lease, this Assignment and the Equipment Trust Agreement are and will remain the valid and binding obligations of the Company in accordance with their terms, (b) the Company has not executed any other assignment of the Lease and the Trustee's right to receive all payments under the Lease is free and clear of any and all liens, agreement, security interests or other encumbrances, imposed by the Company, (c) notwithstanding this Assignment, the Company will conform and comply with each and all of the covenants and conditions in the Lease and the Equipment Trust Agreement set forth to be complied with by it, (d) to the knowledge of the Company, it has performed all obligations on its part to be performed under the Lease and the Equipment Trust Agreement on or prior to the date hereof and (e) the Lease and the Equipment Trust Agreement are in full force and effect and have not been canceled and to the knowledge of the Company there has not occurred on or prior to the date hereof any Default.

If an Event of Default shall occur and be continuing, the Trustee shall be entitled (i) to exercise all the rights, privileges and remedies available to the Lessor under the Lease and to the Trustee under the Equipment Trust Agreement and (ii) to do any acts which the Trustee deems proper to protect the security hereof, either with or without taking possession of the Units. The taking possession of the Units and the taking of any action permitted as aforesaid shall not cure or waive any default or waive, modify or affect any default hereunder or under the Lease or

the Equipment Trust Agreement, or invalidate any act done hereunder.

7. The Company covenants and agrees with the Trustee that in any suit, proceeding or action brought by the Trustee under the Lease for any installment of, or interest on, any rental or other sum owing thereunder, or to enforce any provisions of the Lease, the Company will save, indemnify and keep the Trustee harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim or recoupment whatsoever of the Lessee or its successors, arising out of a breach by the Company of any obligation under the Lease or arising out of any other indebtedness or liability at any time owing to the Lessee or its successors from the Company. Any and all such obligations of the Company shall be and remain enforceable against and only against the Company and shall not be enforceable against the Trustee or any party or parties in whom any of the rights of the Company under the Lease shall vest by reason of the successive assignments or transfers.

8. The Company will from time to time execute all such financing statements and supplemental instruments and documents as the Trustee may from time to time reasonably request in order to confirm or further assure the assignment made hereby and the provisions hereof.

9. The Trustee may assign to any successor trustee appointed pursuant to Section 8.06 of the Equipment Trust Agreement or any co-trustee or separate trustee appointed pursuant to Section 8.09 thereof any of its rights under the Lease, including the right to receive any payments due or to become due to it from the Lessee thereunder. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all rights and privileges and be subject to all obligations of the Trustee hereunder.

10. The Company agrees that it will not, without the prior written consent of the Trustee, enter into any agreement amending, modifying or terminating the Lease and that any amendment, modification or termination thereof without such consent shall be void.

11. This Assignment shall be governed by the laws of the State of Delaware, provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303, the applicable recording laws of Canada and such additional rights arising out of the filing, recording or depositing hereof and of any assignment hereof

or out of the markings of the Units as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited or in which any Unit may be located.

12. The Company shall cause copies of all notices received in connection with the Lease to be promptly delivered to the Trustee at 2 Hopkins Plaza, P. O. Box 2258, Baltimore, Maryland 21203, or at such other address as the Trustee shall designate.

13. This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed by an officer thereunto duly authorized, as of the date first above written.

CANAT LIMITED,

Approved
as to form only
Secretary

by

James H. Masse
Chairman and President

[Corporate Seal]

Attest:

by

[Signature]
ASSISTANT Secretary

Accepted:

MERCANTILE-SAFE DEPOSIT and
TRUST COMPANY, as Trustee,

by

Vice President

or out of the markings of the Units as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited or in which any Unit may be located.

12. The Company shall cause copies of all notices received in connection with the Lease to be promptly delivered to the Trustee at 2 Hopkins Plaza, P. O. Box 2258, Baltimore, Maryland 21203, or at such other address as the Trustee shall designate.

13. This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed by an officer thereunto duly authorized, as of the date first above written.

CANAT LIMITED,

by

Chairman and President

[Corporate Seal]

Attest:

by

Secretary

Accepted:

MERCANTILE-SAFE DEPOSIT and
TRUST COMPANY, as Trustee,

by



Vice President

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

On this 29th day of April 1988, before me personally appeared Yvon H. Masse, to me personally known, who, being by me duly sworn, says that he is Chairman and President of Canat Limited, that the seal 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.



My Commission expires *July 10, 1989*

L. BURTON
Commissioner for Oaths
Commissaire à l'Assermentation,
District-Montreal
Expires July 10, 1989

LESSEE'S CONSENT AND AGREEMENT

The undersigned, CANADIAN NATIONAL RAILWAY COMPANY, a corporation duly incorporated under the laws of Canada, the Lessee ("Lessee") named in the Lease ("Lease") referred to in the foregoing Assignment of Lease and Agreement dated as of April 1, 1988 ("Assignment"), hereby (a) acknowledges receipt of a copy of the Assignment and (b) consents to all the terms and conditions of the Assignment and agrees that:

(1) it will pay all Payments as defined in the Assignment, due and to become due under the Lease or otherwise in respect of the units leased thereunder, directly to Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Trustee ("Trustee"), the assignee named in the Assignment, to be applied as provided in the Equipment Trust Agreement (as defined in the Assignment), in immediately available funds by 11 a.m., Baltimore, Maryland, time on the date of payment, by wire transfer to Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, for credit to its Corporate Trust Department's Account No. 620081-8, with advice that the deposit is "RE: CN 4/1/88" (or at such other address as may be furnished in writing to the undersigned by the Trustee);

(2) the Trustee shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the undersigned under the Lease as though the Trustee were named therein as the Lessor and the Lessee will not assert against the Trustee any claim or defense the Lessee may have against the Lessor under the Lease;

(3) the Trustee shall not, by virtue of the Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise;

(4) the Lease is deemed amended to provide that a failure to make a payment in respect of a Casualty Occurrence under Section 6 of the Lease when due shall be an Event of Default under Section 9 of the Lease if it shall continue for 10 days; and

(5) the Lease shall not, without the prior written consent of the Trustee, be amended, terminated or modified, nor shall any action be taken or omitted by the undersigned, the taking or omission of which might result in an alteration or impairment of the Lease or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement when accepted by the Trustee by signing the acceptance at the foot hereof, shall be deemed a contract under, and shall be construed in accordance with, the laws of the State of Delaware. It is not necessary that the parties hereto each sign the same counterpart of this Agreement and Consent as long as each party shall sign a counterpart and such counterpart is delivered to the Trustee or its counsel, whereupon this Agreement and Consent shall become effective.

Dated as of April 1, 1988



CANADIAN NATIONAL RAILWAY COMPANY,

by

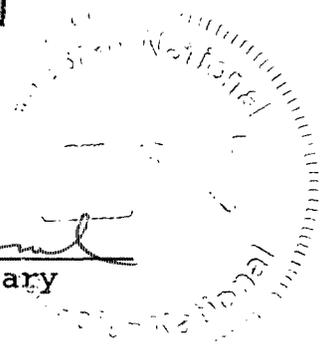
Vice President

[Corporate Seal]

Attest:

by

DEPUTY Secretary



The foregoing Consent and Agreement is hereby accepted, as of the 1st day of April 1988.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by


Vice President

AL-10

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