

UNION CARBIDE CORPORATION

270 PARK AVENUE

NEW YORK, N. Y. 10017

217 551 4831
yft 6435

J. S. FREEMAN
VICE PRESIDENT

13252/A
RECORDATION NO. Filed 1425

13252
RECORDATION NO. Filed 1425

OCT 2 - 1981 - 11 05 AM

OCT 2 - 1981 - 11 05 AM

INTERSTATE COMMERCE COMMISSION

September 28, 1981

INTERSTATE COMMERCE COMMISSION

Hon. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue, N.W.
Washington, D. C. 20423

No. 1-2751021

Date OCT - 2 - 1981

Fee \$ 100.00

ICC Washington, D. C.

Dear Mrs. Mergenovich:

I enclose herewith by registered mail for recording and filing with your office, pursuant to 49 U.S.C. §11303, and the rules and regulations promulgated thereunder, an original and two executed and acknowledged counterparts of the following document:

Lease made the 28th day of August, 1981:

Lessor: Lombard Discount Limited
Lombard House
Curzon Street
London W1A 1EU, England

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

OCT 2 10 52 AM '81

The equipment to which the above-referred-to Lease relates is described as follows:

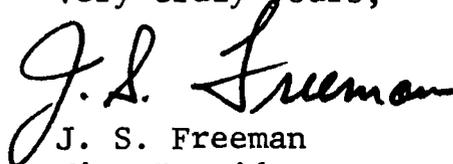
492 5700 cubic foot covered hopper cars, with A.A.R. mechanical designation "LO", and with reporting marks and numbers CCBX 57758 through 58249 marked thereon.

Also enclosed for filing and recording in connection with the above-referred-to Lease are three (3) copies of a Purchase Order made the 28th day of August, 1981 between ACF Sales Corporation and Lombard Discount Limited. Said Purchase Order is referred to in Clause 1 of the above-referred-to Lease and contains a description of the equipment covered by said Lease.

I enclose herewith a check of Union Carbide Corporation to the order of the Interstate Commerce Commission in the amount of one hundred dollars (\$100.00) as the fee for filing and recording the above documents.

All communications concerning this filing should be directed to the undersigned at 270 Park Avenue, New York, New York 10017.

Very truly yours,


J. S. Freeman
Vice President

JSF/rc
Enc.

Interstate Commerce Commission
Washington, D.C. 20423

10/2/81

OFFICE OF THE SECRETARY

JYS. Freeman
Vice President
Union Carbide Corporation
270 Park Avenue
New York, N.Y. 10017

Dear Sir:

The enclosed document (s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/2/81 at 11:05am, and assigned re-
recording number (s). 13252 & 13252-A

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure (s)

SCHEDULE

1. The Primary Rental payable pursuant to Clause 3(A)(i) of the Lease shall be payable annually in advance on 1st January in each year of the Primary Term commencing 1st January 1982 in the following US dollar amounts per £100 of Total Cost and pro rata for any amount less than £100:-

<u>Rental Payment Date</u>	<u>Primary Rental in US dollars per £100 of Total Cost</u>
1st January 1982	
1st January 1983	
1st January 1984	
1st January 1985	
1st January 1986	
1st January 1987	
1st January 1988	
1st January 1989	
1st January 1990	
1st January 1991	
1st January 1992	
1st January 1993	
1st January 1994	
1st January 1995	
1st January 1996	

2. Subject to any adjustment required pursuant to paragraph 4 or 5 below the Termination Sum shall be the sterling amounts per £100 of Total Cost set out below against the month in which the termination of the Lease occurs:-

<u>Date of Termination</u>	<u>Termination Sum in Sterling</u>
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[Commencing from the start
of the Preliminary Term]

3. The implicit rate of interest included in the Primary Rental shall be at a rate of [] per cent per annum.

4. If the date of termination of any Item does not fall upon a date specified in paragraph 2 above, the Termination Sum will be taken as set out against the immediately preceding date in paragraph 2 as increased by applying the implicit rate of interest set out in paragraph 3 above for the period from such immediately preceding date until the actual date of termination calculated on a day to day basis.

5. (A) The Termination Sum calculated pursuant to the provisions of paragraphs 2 and 4 above shall be further adjusted (upwards or downwards as the case may require) to reflect the costs incurred and/or the receipts or savings received by the Owner in respect of the following:-
 - (i) the cost incurred or the saving realised by the Owner, as the case may be, in procuring the discharge of its outstanding obligations under such part of or parts of the sterling loan that was entered into by the Owner for the purpose of financing any Item in respect of which the Termination Sum is paid;
 - (ii) the cost incurred or the saving or receipt realised by the Owner, as the case may be, in procuring the cancellation, transfer or assumption of such part of the forward exchange contracts entered into by the Owner for the purpose of determining the US dollar amount of the Primary Rental as relates to the future Primary Rental in respect of which the Termination Sum is being paid;
 - (iii) any additional cost to the Owner arising from the disposal proceeds (if any) taken into account under Section 44(5) of the United Kingdom Finance Act 1971 falling short of the tax written down value of any Item in respect of which a Termination Sum had been paid, such additional cost resulting from the ability of the Owner only to claim capital allowances for such shortfall only over the balance of the writing down period.

- (B) The amount of any cost receipt or saving referred to in sub-Clause (A) shall be certified by the Owner provided that in arriving at any such costs receipts or savings:-
 - (i) the Owner will endeavour to minimise such costs and maximise such receipts and savings;
 - (ii) in determining any such cost receipt or saving reference shall be made to the then best rates of interest and/or

spot rates at which National Westminster Bank Limited would be able to lend or borrow sterling amounts equivalent to those in question or establish forward exchange contracts for the amounts in question;

(iii) all references to "cost" in this Clause shall mean the costs over and above the discharge of the principal amount of the sterling loan and/or the forward exchange contract as the case may be; and

(iv) the Lessee shall be entitled to request the Owner that it should be allowed to put the Owner in funds sufficient to discharge in full the obligations of the Owner under such sterling loans and/or forward exchange contracts. The Owner shall be at full liberty to refuse such request after due consideration by the Owner and such refusal shall be conclusive and binding.

(C) All calculations to be made pursuant to this Schedule shall be made by United States Lease Financing Inc. acting on behalf of the Owner and the Lessee (as experts and not as arbitrators) taking into account the principles set out in Clause 9(A) of the Master Agreement whose decision in respect thereof shall in the absence of manifest error be final and binding on the Owner and the Lessee.

GREAT BRITAIN AND NORTHERN IRELAND)
LONDON, ENGLAND) **ss.**
EMBASSY OF THE UNITED STATES OF AMERICA)

I, Frederick J. Vogel, Vice Consul
of the United States of America at London, England, duly commissioned and
qualified, do hereby certify that

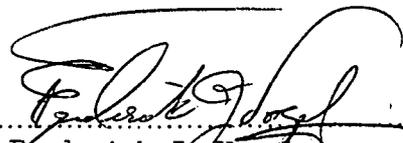
MARTIN JOHN SCANNALL

whose true signature and official seal are, respectively, subscribed and affixed
to the foregoing/annexed certificate was, on the date of the signing thereof

A NOTARY PUBLIC PRACTICING IN LONDON, ENGLAND.

to whose official acts faith and credit are due.

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal
of the Consular Service of the United States of America at London, England,
this 9th day of September 1981


.....
Frederick J. Vogel
American Vice Consul

13252

RECORDATION NO. Filed 1425

UNITED KINGDOM OF GREAT BRITAIN) OCT 2 - 1981 - 11 05 AM
CITY OF LONDON E N G L A N D) SS.

INTERSTATE COMMERCE COMMISSION

DE PINNA, SCORERS
& JOHN VENN

NOTARIES PUBLIC

101, SALISBURY HOUSE,
LONDON WALL, EC2M 5UP.
TEL 01-628 3255

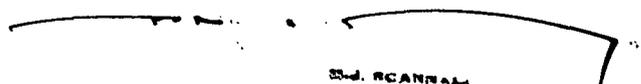
27, COCKSPUR STREET,
LONDON, SW1Y 5DH.
TEL 01-839 7564

5, CHANCERY LANE,
LONDON, WC2A 1LF
TEL: 01-242 4588
TELEX: 24793

9, RUE D'ANJOU, PARIS 75008
TEL: 269-79-37
TELEX: 660719

ON this fourth day of September One thousand nine hundred and eighty-one, before me the undersigned MARTIN JOHN SCANNALL, of the City of London, Notary Public, duly admitted and sworn, practising in the said City, personally came and appeared RICHARD GEORGE CROTTY and ANTHONY EDGAR KEELER, who being by me duly sworn say that they are two of the Directors of LOMBARD DISCOUNT LIMITED, that the Seal affixed to the hereunto annexed 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 they acknowledged that the execution of the hereunto annexed Instrument was the free act and deed of said Corporation.

IN TESTIMONY WHEREOF I have hereunto set my hand and Seal of Office at London aforesaid, the day, month and year first above written.


M.J. SCANNALL

NOTARY PUBLIC OF LONDON, ENGLAND

THIS LEASE is made the 28th day of August 1981
BETWEEN LOMBARD DISCOUNT LIMITED whose registered office is
situated at Lombard House, Curzon Street, London W1A 1EU, England
(hereinafter called "the Owner") of the one part and UNION CARBIDE
CORPORATION a New York corporation with an office at 270 Park Avenue, New
York 10017, United States of America (hereinafter called "the Lessee") of
the other part.

N O W IT IS HEREBY AGREED AND DECLARED as follows:-

1. DEFINITIONS:

In this Lease except where the context otherwise requires the following expressions shall have the following respective meanings:-

"the Master Agreement" shall mean the agreement of even date herewith between the Owner and the Lessee pursuant to which the Owner has agreed to purchase the Goods and lease the Goods to the Lessee on the terms of this Lease.

"the Agreements" shall mean the Master Agreement and the Purchase Order.

"the Goods" shall mean and include all Items (and where the context so admits each Item severally) and still leased by the Owner to the Lessee hereunder.

"Item(s)" shall mean any railroad car(s) described in and purchased by the Owner under the Purchase Order.

"Primary Term Commencement Date" shall mean in respect of any Item, 1st January, 1982.

"Liens" shall mean any mortgage, pledge, charge, encumbrance, lease, lien, statutory rights in rem, claims or security interests of whatsoever kind.

"Permitted Lien" shall mean :

- (i) Liens arising by operation of law in the ordinary course of business of the Lessee for amounts not yet due;
- (ii) Liens for taxes, assessments or governmental charges not yet due;
- (iii) Liens being contested in good faith by appropriate proceedings so long as failure to remove such Lien does not have a material adverse effect upon the Owner's title to or interest in the Goods;

(iv) Liens which the Owner knowingly creates or permits to exist and which do not arise directly or indirectly as a result of the matters contemplated by this Lease and which do not have a material adverse effect upon the Lessee's rights under this Lease.

"National Westminster Group" shall mean National Westminster Bank Limited and its subsidiaries.

"the Purchase Order" shall mean the agreement of even date herewith between the Owner and the Seller and agreed to by the Lessee relating to the terms of purchase of the Goods.

"the Seller" shall mean ACF Sales Corporation of 750 Third Avenue, New York, New York 10017.

"Preliminary Term" shall, in relation to each Item, mean the period beginning on the date on which the Owner pays for such Item under the Agreements until the Primary Term Commencement Date.

"Primary Term" shall, in relation to each Item, mean the period beginning on the Primary Term Commencement Date and continuing, unless previously terminated in accordance with the provisions of this Lease, until the date following fifteen years after the Primary Term Commencement Date.

"Secondary Term" shall, in relation to each Item, mean the period (if any) commencing (subject to the terms and conditions contained herein) on the expiry of the Primary Term and continuing as provided in Clause 2(B) or until terminated as hereinafter provided.

"Lease Term" shall mean the period of leasing specified in Clause 2(B).

"Primary Rental" shall mean the rental to be paid by the Lessee pursuant to the provisions of Clause 3(A)(i) hereof with effect from the Primary Term Commencement Date to the end of the Primary Term.

"Secondary Rental" shall mean the rental to be paid by the Lessee pursuant to the provisions of Clause 3(A)(ii) hereof during any Secondary Term.

"Termination Sum" shall, in relation to an Item, mean the amount calculated in accordance with the provisions of the Schedule to this Lease.

"Total Cost" shall mean the purchase price of the Goods expressed in sterling as shown on the Seller's invoice for the Goods.

"Total Loss" shall have the meaning given to it in Clause 6.

"Prime Rate" shall mean the rate quoted from time to time by National Westminster Bank Limited as its "Prime Rate" or, if no such

rate is quoted the annual percentage interest rate of National Westminster Bank Limited in North America in effect from time to time on 90 day loans to responsible and substantial commercial borrowers.

"Agreed Rate" shall mean the rate of 2 per cent per annum over the Prime Rate for the time being in force calculated on a day-to-day basis from and including the due date for payment of the relevant amount up to the date of actual payment parts of a day being treated as complete days and charged quarterly.

"Working Day" shall mean any day other than a Saturday or a Sunday or day which is by law an English or New York bank or legal holiday or a day on which banking institutions in England or New York are authorised or required by law to close.

"subsidiary" and "holding company" shall have the meanings ascribed to them respectively in Section 154 of the Companies Act 1948 as amended or re-enacted from time to time.

2. PERIOD OF LEASING:

- (A) The Owner shall let and the Lessee shall take upon lease the Goods upon and subject to the terms and conditions contained herein.
- (B) In relation to any Item, the leasing of such Item shall be for a term commencing on acceptance of delivery of such Item in accordance with the terms of the Purchase Order and continuing for the Preliminary Term, the Primary Term and during the Secondary Term thereafter from year to year unless and until terminated in accordance with the terms of this Lease.

3. RENTAL PAYMENTS:

- (A) (i) No rental shall be payable by the Lessee to the Owner until the Primary Term Commencement Date;
 - (ii) During the Primary Term, the Lessee shall pay to the Owner in respect of the Goods the Primary Rental calculated in accordance with, and payable as specified in the Schedule to this Lease;
 - (iii) On each 1st January during any Secondary Term, the Lessee shall pay to the Owner in respect of the Goods a Secondary Rental at the annual rate of 0.25 per cent of the Total Cost for the 12 month period commencing on that date.
- (B) All rental payments to be made pursuant to this Clause shall be made in immediately available funds and within normal

banking hours in New York by telegraphic transfer to the account of National Westminster Bank Limited with Irving Trust Company Limited at [] (Account No: 8023007445) marking payment "Ultimate Beneficiary Lombard North Central Collection Account No: 0042501" or to such other U.S. bank account as the Owner may from time to time, by not less than 10 days' prior notification to the Lessee, designate. If payment falls due on a non-Working Day, payment shall be made within normal banking hours in New York on the immediately succeeding Working Day.

- (C) If any rental payment hereunder is made after the due date for payment the Owner shall (without prejudice to the rights of the Owner under Clause 12 hereof) be entitled in addition to charge interest thereon at the Agreed Rate (after as well as before judgment).
- (D) The Lessee's obligation to make payment of all rental payments hereunder when due shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including without limitation:-
 - (i) any setoff, counterclaim, recoupment, reduction, deferment, defence or other right which the Lessee may have against the Owner, any manufacturer, supplier or anyone else for any reason, including any claim of the Lessee against any of the foregoing;
 - (ii) any defect in the title, condition, design, operation or fitness for use of an Item;
 - (iii) subject to the provisions of Clause 6 any damage to or loss or destruction of an Item or any interruption or cessation in the use or possession thereof by the Lessee for any reason;
 - (iv) the invalidity or unenforceability of this Lease or any other legal impediment therein or any lack of power or authority of the Owner to enter into this Lease;
 - (v) any liquidation, insolvency, bankruptcy, reorganisation or similar proceedings by or against the Lessee; or
 - (vi) any other circumstances or happening, whether or not similar to the foregoing.

4. THE GOODS AND EXCLUSION OF THE OWNER'S LIABILITY:

- (A) Subject to the provisions of Clause 16 hereof, the Owner will at all times during the currency of this Lease in relation to an Item have title to such Item.

- (B) If any right of action shall arise against the Seller or any supplier or manufacturer of the Goods in relation to the terms of purchase of, the condition of, or any patent infringement or alleged patent infringement in relation to the Goods or any Item, the Lessee shall be entitled to the exclusion of the Owner (but subject to the Owner being indemnified and secured to its satisfaction by the Lessee against all liabilities, losses, claims, charges, demands, costs, damages and expenses incurred or to be incurred), unless and until an event of default under Clause 12 shall have occurred and be continuing, at its own expense to exercise all the rights of the Owner against the Seller or any supplier or manufacturer, provided that if the Lessee wishes to institute legal proceedings in the name of the Owner, the Owner will, unless and until an event of default under Clause 12 shall have occurred and be continuing, at its option either:-
- (a) permit the Lessee to institute such proceedings in the name of the Owner and pursue such proceedings on behalf of the Owner;
 - (b) assign to the Lessee all of the Owner's rights, title and interest in such proceedings;
 - (c) institute and pursue such proceedings in co-operation with the Lessee.
- (C) Save as otherwise provided in this Lease, the Lessee acknowledges and agrees that no condition, warranty or representation whatsoever has been or is given by, or is to be implied on the part of, the Owner in relation to the Goods; the Lessee hereby waives all its rights against the Owner (whether express or implied or whether statutory, collateral thereto or otherwise) relating to the Goods or to the capacity, age, quality, description, state, condition, design, construction, use, operation or performance of the Goods or to the merchantability or suitability of the Goods or their fitness for a particular or any purpose or otherwise whatsoever. All such rights against the Owner and claims against the Goods are hereby unconditionally excluded and extinguished. The Owner shall not be under any liability to supply any replacement Goods during any period when the Goods are unusable and the Owner shall not be liable for losses of any nature or kind whatsoever suffered by the Lessee as a result of the Goods being unusable.
- (D) No liability whether arising from the negligence of the Owner or otherwise (other than the Owner's liability for death or personal injury under the Unfair Contract Terms Act 1977) shall attach to the Owner in contract or in tort for loss of or damage, delay or injury to or sustained by any person or property whatsoever (whether in the Goods or elsewhere) or to the Goods by reason of any defect in the Goods (whether such

defect be latent or apparent on examination of the Goods) or their lack of fitness for purpose and the Lessee hereby indemnifies the Owner against all claims for damages, costs and expenses which may be made against the Owner arising out of any liability of the Owner to any person (whether arising from the negligence of the Owner or otherwise) in consequence of or arising out of any such defect in the Goods or their lack of fitness for purpose.

In this Clause:-

"person" shall include the Lessee and states, governments, municipalities and local authorities;

"delay" shall include delay to the Goods whether in respect of delivery under this Lease or thereafter and any other delay whatsoever and howsoever arising.

- (E) Unless otherwise provided in this Lease or the Agreements, no person not in the actual employ of the Owner has express or implied authority to act as agent of the Owner and the Owner shall under no circumstances whatsoever be held liable for any statement, condition, warranty or representation made by any such person through whom this transaction may have been introduced, negotiated or conducted.

5. INSURANCE:

- (A) If an event of default under Clause 12 occurs and is continuing, or if and so long as the Lessee's consolidated stockholders' equity as shown in its latest published accounts but excluding goodwill is less than U.S.\$2 billion, the Lessee shall procure and maintain in respect of the Goods:
- (a) property damage insurance in an amount not less than the Termination Sum of the Goods subject to this Lease from time to time; and
- (b) public liability insurance in an amount not less than:
- per claim : U.S.\$1 million;
- per occurrence : 150 per cent. of the Total
Cost of the Goods subject to
the Lease from time to time.

The Lessee shall ensure that such limits per claim and per occurrence shall at all times reflect the limits as are from time to time applicable to goods similar to and of a value comparable to the Goods in order to reflect current market practice.

The Lessee shall provide promptly to the Owner evidence of any insurance procured pursuant to this Clause.

- (B) An insurance policy required by this Clause shall:
 - (a) be non-cancellable during its term except upon 30 days' prior written notice to the Owner, and
 - (b) name the Owner as an additional assured and as loss payee and without liability for premiums on its part.
- (C) Upon a renewal of the insurances required by this Clause, the Lessee shall furnish to the Owner a statement showing the types of risk covered, the amount insured thereunder and the expiration date thereof.
- (D) Payments under a policy not required by this Clause but maintained at the Lessee's discretion shall be payable to the Lessee for its sole account.

6. TOTAL LOSS:

- (A) The term "Total Loss" means any one of the following events:-
 - (i) an Item is lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged or permanently rendered unfit for use from any cause;
 - (ii) (a) use of an Item is taken by any governmental or other competent authority (or by any person acting by or purporting to act by the authority of the same) within the United States and the Owner or the Lessee is in fact denied the use of the Item at the end of the Lease Term of the Item; or
 - (b) use of an Item is taken by any foreign governmental or other competent authority for a stated term which exceeds the remaining Lease Term of the Item or for an indefinite term and in either case the Lessee is in fact denied the use of the Item for more than one year or for the remaining Lease Term of the Item if the remaining Lease Term is less than one year;
 - (iii) use of an Item is taken by any governmental authority and the Lessee elects at any time thereafter while the taking continues to treat such taking as a Total Loss;
 - (iv) title to an Item is taken by any governmental authority;
 - (v) the Owner and the Lessee agree to treat any event as a Total Loss;

- (B) The following shall apply for determining the date on which the Total Loss of an Item occurred and the date on which the Lease Term for such Item shall terminate under Clause 6(C):-
- (i) if the event falls within (A)(i) above, the actual date of such event or if such date is unknown, then the date on which the Item was last heard of, but if such event is the subject of a claim under the insurances for the Item, the date the insurers admit a Total Loss or (failing such admission) the earlier of the date on which a competent court of law or tribunal determines that a Total Loss has occurred or the insurers make payment in respect of the Total Loss;
 - (ii) if the event falls within (A)(ii)(a) above, the date of the end of the Lease Term; or if the event falls within (A)(ii)(b) above, the date of the expiry of the one year period during which the Lessee is in fact denied the use of the Item or the date of the end of the Lease Term of the Item if the remaining Lease Term is less than one year;
 - (iii) if the event falls within (A)(iii) above, the date on which the Lessee makes the election as provided;
 - (iv) if the event falls within (A)(iv) above, the date on which title to the Item is taken;
 - (v) if the event falls within (A)(v) above, the date on which the Owner and the Lessee agree that a Total Loss has occurred.
- (C) (i) In the event of a Total Loss of an Item the Lease Term and the Lessee's obligation to pay future rental payments shall cease and determine and the Lessee shall on or before the expiry of sixty (60) days from the date of the Total Loss pay to the Owner an amount equal to the Termination Sum on the date set out in the Schedule immediately preceding the date of the Total Loss together with interest at the implicit lease rate set out in paragraph 3 of the Schedule to this Lease on such Termination Sum on a day to day basis from the said applicable date up to and including the date of the expiry of such sixty day period (less the aggregate of any proceeds from the insurances under Clause 5 (other than any insurances maintained under Clause 5(D)) or any other compensation in respect of such Total Loss which prior to the date of payment of the Termination Sum have been received by the Owner) plus interest at the Agreed Rate on such amount due to the Owner from the date of the expiry of such sixty day period up to and including the date of payment.

The foregoing obligations shall not affect and in no way detract from the obligations of the Lessee to pay to the Owner all other amounts which have become due and payable by the Lessee to the Owner under this Lease and the Agreements and remain unpaid.

The foregoing obligations shall apply regardless of whether or not any moneys are payable under the insurances, regardless of the amount payable under the same and regardless of the cause of the Total Loss.

- (ii) The Owner shall forthwith on receipt pay to the Lessee all insurance proceeds received, subject to deduction therefrom of all amounts payable to the Owner under (i) above.
- (iii) The provisions of Clause 15(B) shall apply on the sale of any Item (to the extent the Owner has title to such Item) following a Total Loss of such Item. The Owner shall forthwith on receipt pay to the Lessee 98 per cent. of the Net Proceeds of Sale (up to a maximum of 90 per cent. of the total amount of rentals paid including the Termination Sum referred to in (i) above and the interest charged thereon up to and including the last day of the sixty day period referred to in (i) above.)

7. IDENTIFICATION OF GOODS:

- (A) Before the commencement of the Preliminary Term in relation to each Item the Lessee shall number it with the car number referred to in the Purchase Order. The Lessee shall not change any car numbers unless it first files a statement of substitute numbers with the Owner and in each public office where the Lease is filed or recorded.
- (B) The Lessee shall not have any right, title or interest in or to the Goods or any Item other than the right to possession and use upon the terms of this Lease. The Lessee will take all steps as may be necessary to protect the rights and interests of the Owner in the Goods and in particular:-
 - (i) before the commencement of the Preliminary Term in relation to each Item will place on each Item the following legend:

"Ownership subject to a security agreement filed with the Interstate Commerce Commission."
 - (ii) will not place or permit to be placed any name on the Goods as a designation of ownership provided that the Goods may bear names, initials, insignia or designations:-

- (a) to identify the Lessee's right to use the Goods under this Lease;
 - (b) for advertising purposes;
 - (c) for uses permitted by Clauses 8(B) and 16;
- (iii) will on all occasions when title to an Item belonging to the Owner is relevant make clear to third parties that title to the same is held by the Owner;

The Lessee at its cost and expense shall remove any such markings from an Item prior to its redelivery under Clause 14.

8. POSSESSION AND LESSEE'S COVENANTS IN RESPECT OF TITLE:

- (A) The Lessee paying the rentals and complying with the provisions of this Lease shall peaceably hold and enjoy the Goods during the Lease Term without any interruption by the Owner or any person rightfully claiming under or in trust for it.
- (B) So long as no event of default under Clause 12 shall have occurred and be continuing the Lessee shall be entitled to the possession and use of the Goods in the United States of America, Canada and Mexico, including use of the Goods in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease.

The Lessee shall without the consent of the Owner be entitled to enter into a Trilease of an Item as defined below. A "Trilease" shall mean a sub-lease of an Item to any sub-lessee entered into in the ordinary course of the Lessee's business having a term that covers the time required to transport a shipment under such sub-lease to or from any such sub-lessee such term to include any time required to load or unload such shipment, including waiting time.

The Lessee shall collect and retain for its own account all mileage allowances, rentals and other compensation payable by carriers for the use of any Item.

- (C) Subject to the provisions of Clause 6 (Total Loss) the Lessee shall not suffer any Item to be seized or taken out of its possession or control under any arrest, confiscation, seizure or requisition for title or any distress, execution, forfeiture or other legal process (except such as arises through the wilful acts or omissions of the Owner) and if such events occur or would occur shall use its best efforts to procure the immediate release of such Item therefrom.

- (D) The Lessee shall not permit to exist, and shall promptly remove, any Lien on an Item other than a Permitted Lien.

9. SUBSTITUTION OF PARTS AND MODIFICATION:

- (A) Any part installed on an Item in substitution for a part removed (a "Substitute Part"), whether by way of replacement, renewal, addition or otherwise, shall be of similar or improved make or model to the part removed such that the value of the Item shall not be diminished. Any Substitute Part shall be an accessory to the Item and title to the Substitute Part shall vest immediately in the Owner. Any Substitute Part shall (prior to installation) be such that the Lessee is entitled to vest title to it in the Owner free and clear of all Liens.

Title to any part removed shall (if vested in the Owner) remain in the Owner until title to the Substitute Part vests in the Owner or the Substitute Part is itself removed and substituted by a part, title to which vests in the Owner.

Subject to the foregoing, title to any part removed shall vest in the Lessee and may be retained or disposed of by the Lessee for its own account.

- (B) In accordance with its obligation under Clause 10(D), the Lessee may from time to time be required to make improvements, changes or modifications to an Item (a "Required Modification"). The Lessee in its discretion may make improvements, changes or modifications to an Item (a "Discretionary Modification").

Any part comprising a Required or Discretionary Modification shall be treated as a Substitute Part to which sub-Clause (A) applies.

If a Required or Discretionary Modification is readily removable without causing material damage to an Item, the Lessee may remove the same prior to the end of the Lease Term of the Item, in which event the Required or Discretionary Modification (as the case may be) shall be treated as a part removed and any part installed on the Item in substitution for the part removed shall be treated as a Substitute Part to which sub-Clause (A) applies.

If a Required or Discretionary Modification which is an addition (as opposed to a substitution by way of replacement, renewal or otherwise) to an Item is readily removable without causing material damage to an Item and such that on removal of such addition the value of the Item shall not be diminished below its current value had such addition never been made and in the case of a Required Modification is no longer required

under Clause 10(D), the Lessee may remove the same prior to the end of the Lease Term of the Item and no part shall be required to be installed on the Item in substitution for the Required or Discretionary Modification.

Title to any such addition which is removed in accordance with the previous paragraph shall vest in the Lessee and may be retained or disposed of for the Lessee's account.

- (C) The Lessee shall execute and deliver to the Owner any instruments reasonably requested by the Owner to confirm the transfer to the Owner of title to a Substitute Part, Required or Discretionary Modification. If the Lessee may and does remove any part, Substitute Part, Required or Discretionary Modification, the Lessee shall repair, or pay to the Owner the cost of repairing, any damage to the Item resulting from such removal.

10. COVENANTS OF THE LESSEE:

- (A) The Lessee shall at its own expense at all times during the currency of this Lease maintain and service the Goods and keep the Goods and all parts thereof in good repair and efficient operating condition (fair wear and tear excepted).
- (B)
 - (i) The Lessee shall immediately cause this Lease and any amendments hereto to be filed with the Interstate Commerce Commission and to be filed, registered or recorded wherever else required in each place in the United States of America for the proper protection, to the reasonable satisfaction of the Owner, of the Owner's title to the Goods under the laws of any jurisdiction within the United States of America. The Owner shall co-operate with the Lessee for such purposes;
 - (ii) The Lessee shall cause this Lease and any amendments hereto to be filed, registered or recorded in such places outside the United States of America (other than as provided in (iii) below) as the Owner may reasonably request;
 - (iii) The Owner shall be responsible for such of the matters contemplated by (ii) above as it may consider necessary for the proper protection of the Owner's title to the Goods and of the rights of the Lessee (if any) under the laws of England. The Lessee shall co-operate with the Owner for such purposes.
 - (iv) The Lessee shall from time to time do and perform any other act and will execute, acknowledge, deliver, file, register and record any and all further instruments,

required by law or reasonably requested by the Owner, for the purpose of such protection of its title;

- (v) The Owner hereby appoints the Lessee its agent and attorney-in-fact for and in its name and behalf to execute, acknowledge, deliver, file, register and record any and all instruments that the Owner may be required by law to file, register and record and the Lessee agrees so to do. The Lessee will pay all costs, charges and expenses incident to its filing, registering, and recording of this Lease and incident to its preparation, execution, filing, registering, and recording of any such further instrument and incident to its taking of any such action;
 - (vi) Each party shall keep current any filing, registration and recording contemplated by this Clause.
- (C) The Lessee shall comply with all applicable governmental laws, rules and regulations including, without limitation, the rules of the U.S. Department of Transportation, the Interstate Commerce Commission and the Interchange Rules of the Mechanical Division, Association of American Railroads, in effect from time to time pertaining to the possession, use, maintenance and operation of each Item.
- If in the opinion of legal counsel selected by the Owner there is a reasonable basis upon which the Lessee need not comply with any such law, rule or regulation, the Lessee shall be entitled, subject as herein provided, to contest the validity or application of such law, rule or regulation by appropriate legal proceedings. The Lessee shall not be so entitled if failure to comply would or might have a material adverse effect upon the Lessor's title to or interest in the Goods.
- (D) The Lessee shall at its own expense obtain and effect and keep effective all permissions, licences and permits which may from time to time be required of the Owner or the Lessee by any competent authority in the United States of America in connection with the ownership, possession or use of the Goods. The Lessee shall at its own expense provide to the Owner all such information and co-operation as may be needed in connection with such requirements or the obtaining of any other such consents.
- (E) The Lessee shall permit the Owner or its servants or agents to inspect the Goods or any Item and, for such purpose, to enter upon any premises owned or controlled by the Lessee in which the Goods or any Item may be situated and shall grant or procure reasonable facilities for such inspection. The Owner or its servants or agents may make such inspection on the following conditions:-

- (i) the places, times, manner and frequency of inspection shall be reasonable;
 - (ii) the inspection shall be subject to the Lessee's normal safety and security procedures;
 - (iii) the inspection shall be made only after reasonable prior notice to the Lessee;
 - (iv) if the inspection shall reveal that the Lessee has failed to comply with its obligations as to maintenance and repair of the Goods contained in this Lease, the Owner's costs of inspection shall be reimbursed by the Lessee.
- (F) The Lessee will not use any Item in any manner or for any purpose excepted from any insurances taken out in compliance with Clause 5 or for the purpose of carriage of goods of any description excepted from the said insurances. If public liability insurance is required by Clause 5 of this Lease, and the Lessee intends to use any Item for the purpose of carriage of dangerous or hazardous materials the Lessee shall at its sole expense ensure that such public liability insurance shall be effected in such amounts per claim and per occurrence as in the opinion of an independent insurance appraiser, nominated by the Owner and agreed to by the Lessee, are adequate to cover the risks arising from the carriage of such dangerous or hazardous materials. The Lessee shall not do or permit to be done anything which would or might invalidate any of such insurances.
- (G) The Lessee shall not do or permit to be done anything which, or omit to do anything the omission of which would prejudice any right which the Owner may have against any manufacturer or supplier of any Item or part thereof (but not so as to restrict the rights of the Lessee under Clause 4).

11. OUTGOINGS:

- (A) The Lessee shall pay and discharge and shall indemnify the Owner against all duties (including United Kingdom Stamp Duty), fees, levies, charges, insurance premiums (if required under Clause 5), fines, penalties and other outgoings whatsoever payable by the Owner or the Lessee in respect of this Lease of the Goods or any Item or the possession or operation under this Lease of the Goods or any Item or the purchase, ownership, delivery, leasing, possession and operation, import to or export from any country, return, sale or other disposition of the Goods or any Item or upon the rentals, receipts or earnings arising therefrom, including interest and penalties as soon as the same become payable and

shall if required by the Owner produce to it evidence of the payment thereof.

- (B) If any such outgoings shall not be paid by the Lessee when due the Owner shall be at liberty to pay the same and the Lessee shall on demand forthwith pay to the Owner any sums so expended with interest at the Agreed Rate from the date of payment by the Owner to the date of reimbursement by the Lessee (after as well as before judgment).
- (C) The Lessee shall pay and discharge and shall indemnify the Owner at all times against all third party liabilities, claims, proceedings (whether civil or criminal), penalties, fines, or other sanctions, judgments, suits, actions, losses, damages, charges, impositions, disbursements, costs and expenses whatsoever which may at any time be incurred by, imposed on or asserted against the Owner in any way related to or arising directly or indirectly in any manner out of or in connection with the Goods or any Item and the leasing of the same under this Lease including but without in any way limiting the generality of the foregoing the manufacture, purchase, management, control, possession, ownership, use, operation, sale or other disposition of the Goods or any Item whether the same may be attributable to any defect in the Goods or any Item or the design, construction, testing or use thereof or from any maintenance, service, repair, overhaul or otherwise and regardless of when the same shall arise and whether or not the Goods or the Item is in the possession or control of the Lessee and whether or not in the United States or abroad.
- (D) Sums becoming due by the Lessee to the Owner under the indemnities contained in this Clause or elsewhere in this Lease and the Agreements shall be paid together with interest to the date of reimbursement by the Lessee (after as well as before judgment) at the Agreed Rate.
- (E) The provisions of this Clause shall not apply to withholding taxes under Clause 17 or to "taxes or other charges" as defined and dealt with in Clause 18 of this Lease (whether or not relating to the United States of America.)

12. EVENTS OF DEFAULT:

- (A) If any rental payment due by the Lessee hereunder is not paid in full within 10 days of the same being due, or within 1 Working Day after notification from the Owner that the rental payment has not been paid (whichever is the later);
- (B) If the Lessee shall be in breach of, or shall have failed to perform or observe, any of the provisions of this Lease (other

than those referred to in sub-Clause (A) of this Clause) or of the Agreements for a period of 30 days after notification from the Owner of such breach or failure and the Lessee fails to demonstrate to the Owner to its absolute satisfaction that it is using its best endeavours to remedy such breach or failure;

- (C) If the Lessee makes any representation or warranty in this Lease, or any of the Agreements, or in a statement or certificate furnished pursuant to the same, which is incorrect in any material respect;
- (D) If the Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or the Lessee shall admit in writing its inability to pay its debts generally as they become due, or shall make a general assignment for the benefit of creditors;
- (E) If the Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganisation in a proceeding under any bankruptcy laws in the United States (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against the Lessee in any such proceeding, or the Lessee shall by voluntary petition, answer or consent, seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganisation or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors;
- (F) If an order, judgment or decree shall be entered in any proceeding by any court of competent jurisdiction appointing, without the consent of the Lessee, a receiver, trustee or liquidator of the Lessee or of any substantial part of its property, or sequestering any substantial part of the property of the Lessee and any such order, judgment or decree of appointment or sequestration shall remain in force undischarged, unstayed or unvacated for a period of 90 days after the date of entry thereof;
- (G) If a petition against the Lessee in a proceeding under the United States Federal bankruptcy laws or other insolvency laws as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 60 days thereafter or, under the provisions of any law providing for reorganisation or winding-up of corporations which may apply to the Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Lessee and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unexpired for a period of 60 days;
- (H) If the Lessee shall (a) sell, mortgage or hypothecate or execute a bill of sale affecting the Goods or any Item or any interest therein or any part thereof or (b) to the knowledge

of any responsible officer of the Lessee create or fail to discharge or remove any Lien other than a Permitted Lien or (c) agree or purport to do any of the aforesaid;

- (I) If to the knowledge of any responsible officer of the Lessee (a) the Goods or any Item is confiscated, seized, taken in execution, impounded or otherwise taken from the possession of the Lessee (otherwise than as contemplated by Clause 8(B) or Clause 16 or in circumstances which amount to or will become with a lapse of time a Total Loss under Clause 6) or (b) any Item is confiscated, seized, taken in execution, impounded or otherwise taken from the possession of the person or persons entitled thereto pursuant to Clause 8(B) or Clause 16 or any other legal process is levied upon the Goods or any Item or the Goods or any Item is arrested or detained in exercise or purported exercise of any possessory lien or any statutory right in rem or claim enforceable against the Goods or any Item and in either event the Lessee shall fail to provide adequate bail or security when required or the Lessee shall fail to procure the release of the Goods or any Item therefrom within a period of thirty (30) days;
- (J) If the Lessee shall fail to carry and maintain the insurances on the Goods or any Item in accordance with Clause 5;
- (K) If the Lessee shall fail to pay any indebtedness of the Lessee for borrowed money or the deferred purchase price of property or the rental of any personal property (excluding the Lessee's obligations hereunder), or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such payment and the maturity of such indebtedness, deferred purchase price or rental shall have been accelerated by the holder or holders thereof or such payment shall not be made at final maturity and the aggregate amount over the term of this Lease, whether or not later repaid or pardoned, of all such indebtedness, deferred purchase price or rental which shall have been so accelerated or which shall not have been made at final maturity shall equal or exceed \$250,000,000;

then and in any such event and if such event shall be continuing:-

- (i) before the commencement of the Preliminary Term in relation to any Item, the Owner shall be relieved from all obligations to lease the Goods to the Lessee; or
- (ii) after the commencement of the Preliminary Term in relation to any Item, the Owner may by giving notice to the Lessee terminate the leasing of the Goods under this Lease and retake possession of the same

PROVIDED THAT if the events giving rise to such rights of the Owner under (i) or (ii) above occur in relation to any one Item the Owner shall not exercise such rights unless such event shall in the conclusive opinion of the Owner materially prejudice the Owner's rights under this Lease.

The Owner or its agents may enter upon any premises belonging to or in the occupation of or under the control of the Lessee for the purpose of taking possession of the Goods or any Item.

The remedies set forth in this Clause 12 are not exclusive, and the Owner shall be entitled to any other remedy available to the Owner at law or in equity. The Lessee shall indemnify the Owner for all legal fees and other costs and expenses incurred by reason of the occurrence of any event of default under this Clause 12 or the exercise of the Owner's remedies with respect thereto.

13. VOLUNTARY TERMINATION:

The Lessee may during the Primary Term at any time or from time to time after a period of three years (and before such period of three years if the Lessee determines that the payments under the indemnities contained in Clauses 17 and 18 are excessively burdensome or onerous) from the Primary Term Commencement Date, provided that no event of default has occurred and is continuing, terminate the leasing of any 10 or more Items. The Lessee may during the Secondary Term at any time or from time to time, provided that no event of default has occurred and is continuing, terminate the leasing of any Item. The Lessee shall notify the Owner in writing of its intention to terminate the leasing of such Items at least 30 days before the termination date selected by the Lessee. The notice shall identify the Items and the date on which the leasing of such Items shall terminate.

14. REDELIVERY OF GOODS:

- (A) Upon the termination of the leasing of an Item under this Lease to which the provisions of Clause 15(E)(i) shall be applicable (including on a Total Loss of such Item), the Lessee shall at its own risk, cost and expense re-deliver such Item to the Owner at such place as the Lessee shall by notice to the Owner designate for the purpose of a sale in accordance with the provisions of Clause 15(B);
- (B) Upon the termination of the leasing of an Item under this Lease to which the provisions of Clause 15(E)(ii) shall be applicable, the Lessee shall at its own risk, cost and expense re-deliver such Item to the Owner at such place as the Owner shall by notice to the Lessee designate for the purpose of a sale in accordance with the provisions of the said Clause 15(E)(ii);

- (C) The Lessee shall indemnify the Owner against all costs and expenses, liabilities, claims, actions, suits, proceedings, losses, fines, penalties or other sanctions, judgments, demands and damages of the Owner of whatsoever nature, connected with the storage, protection, preservation, maintenance and sale of any Item under the provisions of this Lease or which the Owner would not have incurred but for such termination.
- (D) The Lessee shall maintain in respect of any Item the insurances (if required under Clause 5) during any storage period in respect of, and for any period up to and including, the completion of the sale of any Item under the provisions of this Lease.

15. PAYMENTS ON TERMINATION:

- (A) On the termination of the leasing of an Item under this Lease at any time for any reason whatsoever (other than Total Loss), the Lessee shall (without prejudice to the obligations of the Lessee pursuant to any other provision of the Lease to pay to the Owner all sums which may become due to the Owner or ascertained after the date of termination) pay to the Owner as compensation for the Owner's full financial loss an amount which shall be calculated as set out below. The payment to be made by the Lessee to the Owner shall be ascertained by adding together:-
 - (i) all rentals due and payable under Clause 3 up to and including the date of termination and all other sums then due by the Lessee to the Owner under any other provisions of this Lease and unpaid at the date of termination;
 - (ii) the Termination Sum for the date of termination;together with interest on the sum referred to in sub-Clause (ii) or on the balance thereof from time to time outstanding at the Agreed Rate from the date of termination up to and including the date of payment (as well after as before judgment).
- (B) Upon such termination such person in the United Kingdom as the Lessee may from time to time designate in writing shall act as the sole and exclusive agent of the Owner (subject as stated below) to arrange to sell the Goods or any Item (other than to the Lessee or an associate of the Lessee within the meaning of Section 533 of the Income and Corporation Taxes Act 1970) at the best price reasonably obtainable or for scrap. As the Owner's sole and exclusive agent, such person so designated shall have no authority to delegate such agency and

in the exercise of such agency outside the United Kingdom shall act only through brokers having themselves no power to act as agent.

- (C) Upon such termination and on receipt by or on behalf of the Owner of the Net Proceeds of Sale of the Goods or any such Item, the Owner shall forthwith pay to the Lessee by way of rebate of rentals paid hereunder an amount equal to 98 per cent. of the Net Proceeds of Sale (up to a maximum of 90 per cent. of the total amount of rentals paid hereunder including the payment in respect of the Termination Sum under sub-Clause (A)(ii) above).
- (D) For the purposes of this Clause and Clause 6(C) the "Net Proceeds of Sale" of an Item shall be the proceeds of sale thereof less all expenses (including any taxes attributable to the Owner as a result of the sale) of the Owner of whatsoever nature and of the Lessee (if reasonably and properly incurred in acting as sales representative of the Owner) connected with the sale or incurred in recovering possession or in having possession of the same (including but without limitation, the cost, if paid or payable by the Owner, of effecting or maintaining insurance of an Item in accordance with the provisions of Clause 5 hereof for any period prior to completion of the sale of the Item) and all the expenses, costs, demands and damages of the Owner which would not have been incurred but for such termination including (without limitation) all costs and expenses (if any) connected with maintaining the Item and protecting the Owner's interest therein.
- (E)
 - (i) If on the termination of the leasing of an Item under this Lease for any reason whatsoever (other than on a Total Loss in respect of which Clause 6(C)(iii) shall apply) the Lessee shall have paid to the Owner all sums due and payable to the Owner upon such termination, the Owner shall sell the Item at the best price reasonably obtainable or for scrap and the provisions of sub-Clause (B) shall apply to such sale. For the avoidance of doubt, the provisions of Clause 20 shall apply to such sale;
 - (ii) If on any such termination the Lessee shall have failed to pay to the Owner all sums due and payable to the Owner upon such termination, the Owner shall sell the Item within one year from the date of termination on "as-is, where-is" terms at the best price reasonably obtainable or for scrap as determined by the Owner in its discretion in the light of current market conditions. The provisions of sub-Clause (B) shall not apply to such sale.

16. ASSIGNMENT AND TRANSFER:

The Owner shall at any time be entitled to sell, mortgage, assign or transfer its interest in the Goods or any Item and/or its rights under this Lease to any company within the National Westminster Group provided that the Lessee shall not incur any liability which it would not have incurred but for such action, and to any third party subject to the consent of the Lessee (such consent not to be unreasonably withheld).

The Lessee shall not, without the prior written consent of the Owner (such consent not to be unreasonably withheld) sub-lease, deliver or relinquish possession of any Item or assign or transfer to a third party its rights under this Lease, except no consent shall be required in respect of a Trilease as defined in Clause 8(B) or for a sub-lease having a term of three years or less or for a term in excess of three years provided that on entry into any sub-lease having a term in excess of three years the rights of the sub-lessee shall be made expressly subject and subordinate to all the terms and rights of the Owner under this Lease.

The respective rights of the Owner and the Lessee under this Lease shall not be capable of assignment save as permitted by this Clause.

17. WITHHOLDING TAX INDEMNITY:

All payments made by the Lessee to the Owner under any Clause of this Lease shall be made without deduction for or on account of any withholdings, taxes, duties or other charges of any nature whatsoever (other than such withholdings, taxes, duties or other charges imposed by the United Kingdom or any taxing or governmental authority thereof or therein and other than such withholdings, taxes, duties or other charges arising by reason of the act or omission of the Owner, or any successor of the Owner, resulting in the Owner's or such successor's (i) not being a "resident of the United Kingdom" as that term is defined in the Income Tax Convention between the United States and the United Kingdom as in effect on the date hereof, or (ii) not holding the Lease or the Agreements in the United Kingdom and recording on the books and records of an office in the United Kingdom any assets, liabilities, income, gains and expenses arising from the transactions contemplated by this Lease and the Agreements or (iii) not providing the Lessee with any documentation indicating entitlement to exemption from the application of withholding taxes under any applicable law in effect on the date hereof which grants such entitlement or any succeeding provisions of applicable law which continue to grant such entitlement (on a basis consistent with past practice of the Owner and its affiliates in similar transactions)) unless the Lessee is compelled by law to deduct such taxes. In the event that the Lessee is prohibited by law from making payments hereunder free of deductions or withholdings, the Lessee shall pay such additional

amounts to the Owner as may be necessary in order that the actual amount received by the Owner after deduction or withholding (and after deduction of an amount equal to any additional taxes or other charges payable as a consequence of the payment of such additional amount) shall equal the amount that would have been received if such deduction or withholding were not required.

If the Lessee shall make any deductions or withholdings from the amounts paid hereunder, the Lessee shall forthwith supply the Owner with official receipts or other evidence acceptable to the Owner establishing payment of such deducted or withheld amounts by the Lessee to the appropriate taxing or other authority.

If the Owner shall, in connection with any deduction or withholding, receive and be able to apply any tax credit or benefit, the Owner shall, upon receipt of such credit or benefit (but not so as to prejudice the Owner's rights to receive or retain such credit or benefit), reimburse the Lessee with such amount of such credit or benefit as is, in its discretion exercised in good faith, attributable to such deduction or withholding having taken into account all its dealings giving rise to similar tax credits or benefits in relation to the same tax period. In no circumstances shall the Owner be required to reimburse the Lessee with any amount in excess of the amount of such deduction or withholding.

It is agreed between the parties that the obligations of the Lessee under this Clause 17 are separate from and in addition to its obligations to make rental payments under this Lease and, as a result, that any payments made by the Lessee under this Clause 17 are not and shall not be deemed to be additional or supplemental rental payments with respect to the Goods; provided, however, that nothing contained in the immediately preceding ~~paragraphs of this Clause~~ shall limit in any way the obligations of the Lessee to make such payments pursuant to the preceding paragraphs in this Clause 17 and provided further, that the obligations of the Lessee to make such payments shall be subject to the indemnities contained in this Clause 17 and in Clause 18 hereof.

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18. GENERAL TAX INDEMNITY:

(A) Save as provided in sub-Clause (B) below and other than in respect of deductions or withholdings covered by Clause 17, the Lessee agrees to pay as and when due and payable, and agrees on written demand to indemnify and hold the Owner harmless, on an after-tax basis as provided in the final sentence of this sub-Clause (A), from and against all taxes, levies, imposts, duties or charges of any nature whatsoever including, without limitation, any income, gross receipts, franchise, transfer, sales, use, business, occupation, value added, excise, personal property, real property, stamp or other taxes, together with any penalties, additions or

interest thereon (such taxes, levies, imposts, duties or charges are hereinafter collectively called "taxes or other charges"), at any time imposed against the Owner, the Lessee, the Goods or any part thereof or the premises wherein the Goods or any Item shall from time to time be situated, by any federal, state or local government or taxing authority in the United States of America and by any other government or taxing authority (other than the United Kingdom or taxing authority therein) (i) upon, by reason of, or with respect to the Goods or any Item, or (ii) upon, by reason of, or with respect to the purchase, financing, ownership, delivery, licensing, leasing, possession, use, operation, repair, sale, transfer of title, return or disposition of the Goods or any Item, or (iii) upon, by reason of, or with respect to the rentals, receipts, earnings, income or other proceeds arising from the Goods or any Item, or (iv) upon, by reason of or with respect to this Lease, the Agreements or any other agreement or instrument entered into in connection with any aspect of the transactions contemplated hereby or thereby or otherwise, or (v) by reason of or with respect to or in connection with any of the transactions contemplated by any of the foregoing agreements and instruments, including, without limitation, any taxes or other charges imposed on the Owner by any such federal, state or local government or taxing authority in the United States of America and any taxes or other charges imposed on the Owner by any government or taxing authority (other than the United Kingdom or taxing authority therein) as a result of entering into or effecting any transactions contemplated by this Lease, the Agreements or any other agreement or instrument entered into in connection herewith or therewith or in furtherance hereof or thereof (whether or not imposed or based on, or measured by, the income or receipts of the Owner or any of its affiliated corporations generally) and including, without limitation, any tax imposed by any such federal, state or local government or taxing authority in the United States of America on items of tax preference as that term is defined in Section 57 of the Internal Revenue Code of 1954 of the United States of America, as amended, or any corresponding or similar provisions of any state or local tax law, or any subsequently enacted provision similar in effect.

For purposes of computing the amount of any taxes or charges subject to an obligation to indemnify and hold harmless under this Clause 18(A), the amount of the Owner's interest expense allocable to income or gain realised by the Owner under this Lease shall be determined by allocating to such income or gain the interest expense incurred by the Owner pursuant to the fixed sterling loan arrangements entered into by the Owner pursuant to the Master Agreement to fund its participation in this Lease, unless the United States Internal Revenue Service or other taxing authority in question determines that a different method of allocating interest expense should be employed. Notwithstanding the foregoing provisions of this

sub-Clause 18(A), if a taxing jurisdiction includes in the tax base employed in calculating any taxes or other charges which are the subject of an obligation to indemnify or hold harmless hereunder items of income, gain or value attributable to any of the Goods or any Item or any payment made by the Lessee under the provisions of this Lease, together with items of income, gain or value attributable to property leased or payments made pursuant to any other leasing transaction or transactions to which the Owner is a party, the Lessee's obligation to indemnify and hold harmless hereunder shall be limited to an allocable portion of such taxes or other charges as determined by the Owner in good faith. However, under no circumstances, shall the Lessee be obligated under the provisions of this Clause 18(A) to indemnify or hold harmless the Owner with respect to United States Federal income tax imposed with respect to income derived by the Owner from transactions unrelated to the transactions contemplated by this Lease, even if the transactions contemplated by this Lease trigger the imposition of United States Federal income tax upon such other income or gain.

- (B) Notwithstanding anything in sub-Clause (A) to the contrary, the Lessee shall not be required to pay, or to indemnify or hold the Owner harmless from or against the following taxes or other charges:-
- (i) Any taxes or other charges on, based on, or measured by, the income or profit of the Owner imposed by the United States of America, or any state or local taxing authority therein to the extent that such taxes or other charges are attributable to the Owner being deemed to have a permanent establishment within the United States of America as a result of (a) the maintenance by the Owner of a branch, an office, a factory, a workshop, a mine, oil or gas well, quarry, or other place of extraction of natural resources, or a building or construction installation project which exists for more than twelve months (all within the meaning of Article 5(2) of the Income Tax Convention between the United States and the United Kingdom as in effect on the date hereof) or (b) the establishment by the Owner of an agency as described in Article 5(4) of the said Convention, provided that for the purposes of this sub-Clause (i) the Owner shall not be deemed to have such a permanent establishment merely as a result of its participation in the transactions contemplated by this Lease or the Agreements or in other similar leasing transactions into the United States; and
 - (ii) Any taxes or other charges imposed by any state or local government taxing authority in a state in the United States of America in which the Owner is subject to tax as a result of business or transactions unrelated to the

transactions contemplated by this Lease or the Agreements, other than as may be imposed in a state in which any of the Goods or any Item is located at any time during the relevant taxable period (but limited to the extent provided in sub-Clause 18(B)(iii) below); and

- (iii) Any taxes or charges imposed by a state in which any of the Goods or any Item is located or any taxing authority in such state, to the extent that such taxes or other charges are attributable to activities or transactions of the Owner in such state other than (a) the transactions contemplated by this Lease or the Agreements and (b) the transactions contemplated by any other similar leasing transaction into such state provided that the Lessee shall not be required to indemnify with respect to any such taxes or other charges if the negotiation (other than solicitation activities and such discussions as the Owner may reasonably consider necessary or desirable to advance such negotiations), execution or delivery of any agreement to acquire and lease, any lease or any similar basic documentation regarding any such other similar leasing transaction takes place within such state and if such negotiation, execution or delivery triggers the tax liability in question; and
 - (iv) Any taxes or other charges imposed as a result of the Owner not being a "resident of the United Kingdom" as that term is defined in the US-UK Income Tax Convention as in effect on the date hereof or not holding this Lease in the United Kingdom and recording on the books and records of any office in the United Kingdom any assets, liabilities, income, gain, and expense arising from the transactions contemplated by this Lease; and
 - (v) Any taxes or other charges imposed by any government or taxing authority outside the United States of America which are not imposed by reason of the location of the Goods or any Item or any part thereof or the activities of the Lessee in the jurisdiction of such government or taxing authority.
- (C) If any proceeding (including a written claim or assessment or a written threat of such proceeding) is commenced against the Owner for any taxes or other charges which the Lessee might be required to bear under this Clause, the Owner shall promptly notify the Lessee thereof and may demand, by written notice to the Lessee, the amounts thereof (which shall be specified in such notice or in a subsequent notice delivered as soon as practicable after the commencement of such proceedings) attributable to the transactions contemplated by this Lease and the Agreements be paid by the Lessee, and the Lessee shall pay such amounts within 10 days of such notice or subsequent

notice specifying such amounts unless, and only to the extent that, such taxes or other charges are being contested by the Lessee on behalf of the Owner in good faith by appropriate proceedings (and for payment of which the Lessee has provided an indemnity satisfactory in scope and substance to the Owner). The Owner hereby authorizes the Lessee at the Lessee's expense to contest on the Owner's behalf and in the Owner's name, if required, any such taxes or other charges, and further agrees to co-operate fully with the Lessee in the prosecution of any such contest. If the Lessee is not entitled under applicable law to contest any such taxes or other charges, the Owner shall, at the request of the Lessee, upon receipt of an indemnity satisfactory to it and at the expense of the Lessee (including, without limitation, all costs, expenses, losses, legal and accountants' fees and disbursements, penalties and interest), in good faith contest the validity, applicability or amount of such taxes or other charges by (i) resisting payment thereof if practicable, (ii) not paying the same except under protest, if protest is necessary and appropriate, and (iii) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings.

- (D) All obligations of the Lessee and of the Owner under this Clause 18 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease as to any or all of the Goods. All the indemnities and obligations to make payment contained in this Clause 18 are expressly made for the benefit of and shall be enforceable by the Owner or the Lessee as the case may be. Upon the written request of the Owner, the Lessee shall reimburse the Owner on an after-tax basis for any and all costs, expenses and disbursements the Owner incurs, including legal fees, in connection with the assessment, contention or payment of any taxes or other charges for which the Owner is indemnified.
- (E) If any payment received by the Owner under this Lease by way of indemnity is taxable to the Owner (as the Owner may be advised by its auditors from time to time) then the amount of such payment shall be increased to an amount (the "grossed up payment") which (upon subtraction of the amount of any and all taxes or other charges required to be paid by the Owner with respect to the grossed up payment under the laws of any national, state or local government or taxing authority computed after allowance for all available deductions and credits) shall equal the amount that would have been received by the Owner if the payment by way of indemnity had not been taxable to the Owner PROVIDED THAT if the payment is initially made on the basis that it is not taxable in the hands of the Owner and it is subsequently determined that it is or vice versa, such adjustment shall be made between the Owner and the Lessee as the auditors of the Owner (at the Owner's cost) from time to time may certify as appropriate in order to restore

the after-tax position of the Owner (or any company within the group of companies of which the Owner is a member) to that which it would have been had the adjustment not been necessary, and PROVIDED FURTHER THAT, if the Owner (or any such company) realizes and recognizes any permanent tax benefit by reason of such payment or indemnity or by reason of the taxes or other charges giving rise to such payment or indemnity, the Owner shall pay the Lessee an amount equal to the sum of such taxed benefit plus any tax benefit realized and recognized as a result of any payment made pursuant to this proviso, when, as if and to the extent realized and recognized; but not before the Lessee shall have made all payments or indemnities then currently due to the Owner pursuant to this Lease.

- (F) If the Owner (or any company within the group of companies of which the Owner is a member) shall obtain a refund of any tax which has been borne by the Lessee under Clauses 17 or 18, or if the Owner (or any such company) as the result of any such tax borne by the Lessee shall realize and recognize in any year any tax benefits that would not otherwise have been available to the Owner (or any such company), the Owner shall make such payment or payments to the Lessee as the Owner's auditors shall certify are appropriate to restore the after-tax position of the Owner (or any such company) to that which it would have been if such tax had not been imposed, PROVIDED THAT such amount shall not be payable before the Lessee shall have made all payments or indemnities then currently due to the Owner pursuant to this Lease.
- (G) Any amount payable to the Owner pursuant to Clauses 17 or 18 shall be paid promptly following receipt of a written demand therefor from the Owner accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable. Notwithstanding the foregoing, any amount payable pursuant to Clauses 17 or 18 shall not be payable prior to the payment by any party other than the Lessee of any taxes or other charges required to be borne by the Lessee pursuant to any such Clause.

19. OWNER'S RIGHT OF SET-OFF:

The Owner shall be entitled to set-off or withhold from any sum or sums expressed in this Lease to be payable to the Lessee any amount due and payable to the Owner from the Lessee under this Lease or any of the Agreements.

20. PRESERVATION OF INDEMNITIES:

Without prejudice to any right to damages or other claim which the Lessee may at any time have against the Owner under this Lease or the Agreements it is hereby agreed and declared that the indemnities of the Owner by the Lessee contained in the other provisions of this Lease or the Agreements shall continue in full force and effect notwithstanding any breach of the terms of this Lease by the Owner, the repudiation by the Lessee of this Lease or the determination of this Lease for any reason whatsoever or the expiration of the Lease Term through effluxion of time or otherwise, if such indemnities relate to matters arising in any manner whatsoever out of or in connection with the sale of any Item under this Lease and irrespective of when the claim is brought against the Owner in respect of which the Owner is indemnified by the Lessee.

The indemnities provided for in the last paragraph of Clause 12 and in Clause 14(C) and Clause 15(D) shall not be construed to increase the Termination Sum or other adjustments provided for in the Schedule.

21. ANNUAL REPORTS:

- (A) If so requested by the Owner, once in each year, starting in 1982, the Lessee shall within a reasonable time after such request furnish to the Owner a statement, as of the end of the preceding calendar year, on the Goods. The statement shall:
- (i) show the quantity, description and car numbers of all Items subject to this Lease at the end of such year;
 - (ii) state that the Goods are being maintained in accordance with this Lease;
 - (iii) show the quantity, description and car numbers of all Items that to the Lessee's actual knowledge have suffered a Total Loss during such year;
 - (iv) state that the car numbers required by Clause 7 have been preserved or replaced on Items repainted during such year; and
 - (v) set forth such other information about the condition or repair of the Goods as the Owner may reasonably request.
- (B) Within 120 days after the end of each fiscal year of the Lessee, the Lessee shall furnish to the Owner its Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

22. VARIATION:

This Lease contains the whole of the terms agreed between the parties and no variation shall be effective unless it be in writing and signed by or on behalf of the parties hereto.

23. NOTICES:

Any demand, notice or other communication required to be given hereunder shall be sufficiently served if delivered by hand or sent by telex or prepaid airmail to:-

(A) in the case of the Owner:-

Lombard Discount Limited
Lombard House
Curzon Street
London W1A 1EU
England

Telex No : 25304 LMBRD G
Attention: Divisional Manager,
Corporate Finance

(B) in the case of the Lessee:-

Union Carbide Corporation
270 Park Avenue
New York
New York 10017
United States of America

Telex No : 420542 UCC UI
Attention: The Treasurer



or such other address as may be notified from time to time in writing by the relevant party to the other for the purpose hereof and if so sent shall be deemed to have been received by the addressee in the case of a telex, at the time the telex was sent provided the correct answerback is received, and, in the case of airmail, 96 hours after the time of posting the same.

24. CURRENCY INDEMNITY:

(A) In the event of a judgment or order being rendered by any court or tribunal for the payment of any amounts owing to the owner under this Lease or for the payment of damages in respect of any breach of this Lease or under or in respect of a judgment or order of another court or tribunal for the payment of such amounts or damages, such judgment or order being expressed in a currency ("the Judgment Currency") other

than pounds sterling ("the Agreed Currency"), the Lessee shall pay such amounts as may be necessary to ensure that the amount paid in the Judgment Currency when converted at the rate of exchange prevailing on the date of payment will produce the amount then due under this Lease in the Agreed Currency provided that the cause of action giving rise to such judgment or order shall have been for an amount then due under the Lease in the Agreed Currency or for reimbursement of any amount expended by the Owner in the Agreed Currency.

- (B) The above indemnity shall constitute a separate and independent obligation of the Lessee from its other obligations hereunder and shall apply irrespective of any indulgence granted by the Owner.
- (C) The term "rate of exchange" means the spot rate at which the Owner in accordance with normal banking practice is able on the relevant date to purchase the Agreed Currency with the Judgment Currency and shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the Agreed Currency.

25. PROPER LAW

This Lease shall in all respects be governed by and construed in accordance with English law and the Lessee hereby submits to the non-exclusive jurisdiction of the English courts.

I N W I T N E S S whereof the parties have caused this Agreement to be executed the day and year first before written.

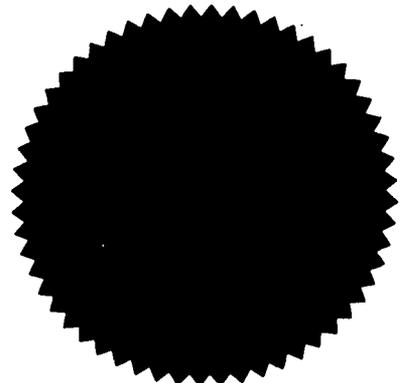
THE COMMON SEAL of LOMBARD)
DISCOUNT LIMITED was hereunto)
affixed in the presence of:-)



Director



Director



SIGNED by James S. Freeman)
for and on behalf of UNION)
CARBIDE CORPORATION in the)
presence of:-)

James S. Freeman

Alfred B. [unclear]

CORPORATE SEAL of UNION CARBIDE CORPORATION

Attest:

F. R. [unclear]

DATED

28th August

1981

LOMBARD DISCOUNT LIMITED

- and -

UNION CARBIDE CORPORATION

L E A S E
