11427-A

JAN 28 1980 - 11 05 AM

INTERSTATE COMMERCE COMMISSION

CRAVATH, SWAINE & MOORE

RECORDATION NO. 11427 Filed 1425

JAN 28 1980 - 11 05 AM

INTERSTATE COMMERCE COMMISSION

ONE CHASE MANHATTAN PLAZA

NEW YORK, N. Y. 10005

212 HANOVER 2-3000

TELEX
RCA 233663
WUD 125547
WUI 620976

MAURICE T. MOORE
BRUCE BROMLEY
WILLIAM B. MARSHALL
RALPH L. MCAFEE
ROYALL VICTOR
HENRY W. DEKOSMIAN
ALLEN F. MAULSBY
STEWARD R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
GEORGE J. GILLESPIE, III
RICHARD S. SIMMONS
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN
JAMES H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG

JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID BOIES
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN
ALLEN FINKELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON
RICHARD L. HOFFMAN
JOSEPH A. MULLINS
MAX R. SHULMAN

COUNSEL
CARLYLE E. MAW
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER

ROSWELL L. GILPATRIC
L. R. BRESLIN, JR.
GEORGE B. TURNER
JOHN H. MORSE
HAROLD R. MEDINA, JR.
CHARLES R. LINTON
ALLEN H. MERRILL

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530

33 THROGMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 01-606-1421
TELEX: 8814901

CABLE ADDRESSES
CRAVATH, N. Y.
CRAVATH, PARIS
CRAVATH, LONDON E. C. 2

0-028A018

Date JAN 28 1980

Fee $ 60.00

ICC Washington, D. C.

File this Second

See Second page for cross indexing

January 23, 1980

The Dow Chemical Company
Lease Financing Dated as of January 2, 1980
11-1/4% Conditional Sale Indebtedness Due
December 30, 2000

[CS&M Ref: 2043-977]

Dear Ms. Mergenovich:

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

New number

(1) (a) Conditional Sale Agreement No. 2 dated as of January 2, 1980, between The Connecticut Bank and Trust Company and Procor Limited; and

A

(b) Agreement and Assignment No. 2 dated as of January 2, 1980, between Mercantile-Safe Deposit and Trust Company and Procor Limited.

The addresses of the parties to the aforementioned agreements are:

Trustee-Vendee

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

Counterpart — been recorded

Builder-Vendor

Procor Limited
2001 Speers Road
Oakville, Ontario L6J 5E1
CANADA

Agent-Assignee

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

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

Enclosed is our check for $50 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt addressed to the undersigned.

Very truly yours,

Susan E. Gorman
As Agent for The Dow
Chemical Company

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

Encls.

27N

CROSS-INDEXING REQUEST

Please cross-index under this filing by entering the following:

"SEE RECORDATION NO. 11428 FOR RELATED LEASE"

Our filing fee includes an extra Ten Dollars ($10.00) for this cross-indexing request.

EXHIBIT A

Type	Quantity	Road Numbers (Both Inclusive)
Vinyl Chloride Monomer Cars	90	DCLX 1125-1214
Plastic Hopper Cars	57	DCLX 7040-7096

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Susan E. Gorman
Cravath, Swaine & Moore
One Chase Manhattan Plaza
New York, N. Y. 10005

Dear Madam:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/28/80 at 11:05AM, and assigned re-recordation number(s). 11427, & 11427-A.

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

RECORDATION NO. 11427 Filed 1425
JAN 28 1980 -11 05 AM
INTERSTATE COMMERCE COMMISSION

[CS&M Ref: 2043-977]

CONDITIONAL SALE AGREEMENT
No. 2

Dated as of January 2, 1980

between

THE CONNECTICUT BANK AND TRUST COMPANY,
as Trustee,

and

PROCOR LIMITED

TABLE OF CONTENTS

			Page No.
ARTICLE	1.	Assignment; Definitions	C(2)-1
ARTICLE	2.	Construction and Sale	C(2)-2
ARTICLE	3.	Inspection and Delivery	C(2)-3
ARTICLE	4.	Purchase Price and Payment	C(2)-5
ARTICLE	5.	Retention of Property and Security Interest in the Equipment	C(2)-10
ARTICLE	6.	Taxes	C(2)-11
ARTICLE	7.	Maintenance, Termination and Casualty Occurrences	C(2)-12
ARTICLE	8.	Reports and Inspections	C(2)-14
ARTICLE	9.	Marking of Equipment	C(2)-14
ARTICLE	10.	Compliance with Laws and Rules	C(2)-14
ARTICLE	11.	Possession and Use	C(2)-15
ARTICLE	12.	Prohibition Against Liens	C(2)-15
ARTICLE	13.	Indemnities and Warranties	C(2)-16
ARTICLE	14.	Assignments	C(2)-17
ARTICLE	15.	Defaults	C(2)-19
ARTICLE	16.	Remedies	C(2)-22
ARTICLE	17.	Applicable Laws	C(2)-26
ARTICLE	18.	Recording	C(2)-27
ARTICLE	19.	Article Headings; Effect and Modification of Agreement	C(2)-27

		Page No.
ARTICLE 20.	Notice	C(2)-27
ARTICLE 21.	Immunities; Satisfaction of Undertakings	C(2)-28
ARTICLE 22.	Law Governing	C(2)-29
ARTICLE 23.	Execution	C(2)-29
SCHEDULE I	Amortization Schedule	C(2)-32
ANNEX A	Information Concerning Equipment	C(2)-34
ANNEX B	Schedule of Equipment	C(2)-39

CONDITIONAL SALE AGREEMENT No. 2 dated as of January 2, 1980, between PROCOR LIMITED, a Canadian corporation (the "Vendor" or the "Builder" as more particularly set forth in Article 1 hereof), and THE CONNECTICUT BANK AND TRUST COMPANY, not individually but solely in its capacity as Trustee (the "Vendee"), under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with City National Bank and First National Bank of Louisville (the "Beneficiaries").

Subject to the further provisions of this Agreement, the Builder agrees to construct, sell and deliver to the Vendee, and the Vendee agrees to purchase, the railroad equipment described in Annex B hereto (the "Equipment").

The Vendee is entering into a lease dated as of the date hereof with THE DOW CHEMICAL COMPANY (the "Lessee"), substantially in the form annexed hereto as Annex C (the "Lease").

Mercantile-Safe Deposit and Trust Company (the "Assignee" or the "Vendor") is acting as agent for certain investors pursuant to the Participation Agreement dated as of the date hereof (the "Participation Agreement"), among the Assignee, the Beneficiaries, the Lessee, the Vendee and such investors.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Purchase Price (as hereinafter defined) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price shall be paid to the Builder by the Assignee pursuant to an Agreement and Assignment No. 2 dated as of the date hereof between the Builder and the Assignee (the "Assignment").

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, the party hereto which has manufactured the Equipment and any

successor or successors for the time being to its manufacturing properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment; and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, the party hereto which has manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, substantially all right, title, and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement in the form of Annex D hereto (the "Lease Assignment"), and the Lessee shall consent thereto pursuant to the Consent and Agreement in the form attached to Annex D (the "Consent").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct the 90 Vinyl Chloride Monomer Cars referred to in Annex B hereto (the "Manufactured Equipment") at its plant described in Annex B hereto, the Builder will purchase the 57 Plastic Hopper Cars referred to in Annex B hereto (the "Purchased Equipment"), the Builder will sell and deliver to the Vendee (in the case of the Purchased Equipment, immediately after the purchase thereof, without placing any of the Purchased Equipment in service prior to sale and delivery), and the Vendee will purchase from the Builder and accept delivery of and pay for (as hereinafter provided), the Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing between the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifications"). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all Department of Transport (Canada), United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as then being applicable to each such unit of Equipment, and each such unit will be new railroad equipment.

ARTICLE 3. Inspection and Delivery. The Builder will deliver the units of Equipment to the Vendee at the place or places specified in Annex B hereto, freight and storage charges, if any, prepaid and included in the Purchase Price (as hereinafter defined), in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement and the Lease have been filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303; and provided, further, that the Builder shall not have any obligation to deliver any unit of Equipment hereunder (i) subsequent to the commencement of any proceedings specified in clause (c) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default or (ii) unless the Builder shall have been notified by the Assignee that the conditions contained in Paragraph 7 of the Participation Agreement have been met and the Builder shall have been notified by the Vendee that the conditions contained in Paragraph 8 of the Participation Agreement have been met or waived. The Builder agrees not to deliver any unit of Equipment hereunder following receipt of written notice from the Vendee or the Assignee (a) of the commencement of any such proceedings or the occurrence of any such event, as aforesaid, or (b) that any of the conditions contained in Paragraph 7 or 8 of the Participation Agreement have not been met or waived. The Builder's forbearance so to deliver shall not in any way adversely affect the rights of the Builder.

Any Equipment not delivered at the time of receipt by the Builder of the notice specified in the second sentence of the first paragraph of this Article 3 and any Equipment not delivered and accepted hereunder on or prior to December 30, 1980, shall be excluded from this Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the Builder thereof and the Vendee shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom; and pursuant to the Participation Agreement the Lessee has agreed to purchase such excluded Equipment and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof from the Builder thereof as provided in Paragraph 1 of the Participation Agreement. To the extent that Equipment of the Builder is actually settled for hereunder, the Lessee shall be

relieved of any further obligation in respect thereof to the Builder.

The Builder's obligation as to the time of delivery set forth in Annex B is subject, however, to delays resulting from causes beyond such Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, lockouts, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees or agents of the Lessee or of any subsidiary of the Lessee), and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect the materials used in the construction of its Equipment in accordance with the standard quality control practices of the Builder. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee or agent of the Lessee or of any subsidiary of the Lessee) shall execute and deliver to the Builder a certificate of acceptance (the "Certificate of Acceptance"), substantially in the form of Schedule C to the Lease; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

On delivery and acceptance of each such unit hereunder at the place specified for delivery, the Builder thereof shall not have any further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first

paragraph of Article 4 hereof) to impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit created in or transferred to, or purported to be created in or transferred to, the Vendee shall be held by the Vendee solely as trustee for the benefit of the Lessee.

ARTICLE 4. Purchase Price and Payment. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as is agreed to by the Builder thereof, the Vendee, and the Lessee. The term "Purchase Price" as used herein shall mean the base price or prices as so increased or decreased as set forth in the invoice or invoices of the Builder delivered to the Vendee (the "Invoices") and, if the Purchase Price is either lower than or more than 8.099% higher than the base price or prices set forth in Annex B, the Invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee; provided, however, that for all purposes of this Agreement other than for the purpose of determining the amount payable to the Builder pursuant to subparagraph (a) of the third paragraph hereof, the term Purchase Price shall be deemed to mean the amount specified in the Builder's invoice but expressed in United States dollars based on the actual cost to the Vendee and the Assignee of the Canadian dollars used to make the payments to the Builder pursuant to subparagraph (a) of the third paragraph of this Article and Section 4 of the Assignment. If on any Closing Date (as hereinafter defined in this Article) the aggregate Purchase Price of Equipment for which settlement has theretofore been and is then being made under this Agreement would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as the Vendee may at its option agree to prior to delivery of any unit or units of Equipment that, but for such agreement, would be excluded from this Agreement), the Builder (and any assignee of the Builder) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price under this Agreement to not more than the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as aforesaid). The Vendee shall take such other steps, including the execution of instruments of transfer, as may be reasonably requested by

the Lessee for the purpose of acknowledging and perfecting the interest of the Lessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Equipment shall be settled for in such number of groups of units of the Equipment delivered to and accepted by the Vendee as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a "Group"). The term "Closing Date" with respect to any Group shall mean such date or dates (not later than December 30, 1980, such later date being herein called the "Cut-Off Date"), occurring not more than five business days following presentation by the Builder to the Vendee of the Invoices and of the Certificate or Certificates of Acceptance for the Equipment and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to the Vendee and the Assignee at least five business days prior to the Closing Date designated therein. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Los Angeles, California, Baltimore, Maryland, New York, New York, Hartford, Connecticut, or Toronto, Canada, are authorized or obligated to remain closed.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay in cash to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) not later than 11:00 a.m., New York City time, on the Closing Date with respect to each Group (i) an amount equal to 27.2216% of the aggregate Purchase Price of Equipment included in such Group plus (ii) the amount, if any, by which (x) the remainder of the Purchase Price of all units of the Equipment covered by this Agreement for which settlement has theretofore and is then being made, as set forth in the Invoice or Invoices therefor (said invoiced prices being herein called the "Invoiced Purchase Prices"), exceeds (y) the Maximum Conditional Sale Indebtedness specified in Item 6 of Annex A and any amount or amounts previously paid or payable with respect to the Invoiced Purchase Prices pursuant to this clause (ii); and

(b) in 40 semiannual installments, as hereinafter provided, an amount equal to the aggregate Purchase

Price of the units of Equipment for which settlement is then being made, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (the "Conditional Sale Indebtedness") shall be payable in 40 consecutive semiannual installments commencing June 30, 1981, to and including December 30, 2000 (or if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a "Payment Date". The unpaid balance of the Conditional Sale Indebtedness shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 11-1/4% per annum. Such interest shall be payable, to the extent accrued, on December 30, 1980, and on each Payment Date thereafter. The installments of principal payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto, and such installments of principal will completely amortize the Conditional Sale Indebtedness. The Vendee will furnish to the Vendor and the Lessee promptly after the last Closing Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of 12 30-day months except that interest payable on December 30, 1980, shall be calculated on an actual elapsed 365-day basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof at the rate of 12-1/4% per annum.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts except that payments under subparagraph (a) of the third paragraph of this Article 4 shall be made in Canadian dollars. Except as provided in Articles 7 and 15 hereof, the Vendee shall not have the

privilege of prepaying any portion of the Conditional Sale Indebtedness prior to the date it becomes due.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof) but not limiting the effect of Article 21 hereof, it is understood and agreed by the Vendor that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement, including any liability arising out of or in connection with its representations in the Participation Agreement, or the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof and the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". In addition, the Vendor agrees that the Vendee (i) makes no representation or warranty, and is not responsible for, the due execution, validity or enforceability of the Lease or any document relating thereto (except for the due authorization, execution and delivery thereof by the Vendee) or of any of the Lessee's obligations thereunder and (ii) shall have no obligation or liability whatsoever to see to or be responsible for the performance by the Lessee of any of its agreements, representations, indemnities, obligations or other undertakings under the Lease; it being understood that as to all such matters the Vendor will look solely to the Vendor's rights under this Agreement against the Equipment and to the Vendor's rights under the Lease against the Lessee and the Equipment. As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences or Terminations (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 15 or any other provision of the Lease (other than indemnity payments paid or payable to the Vendee in its individual capacity or to the Beneficiaries under § 8.2 of the Lease, taxes and indemni-

ties paid or payable to the Beneficiaries or the Vendee in its individual capacity under § 6 of the Lease and supplemental rent payable under Paragraph 16 of the Participation Agreement) and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition (it being understood and agreed that all payments of "income and proceeds from the Equipment" received pursuant to this subclause (i) in excess of the unpaid Conditional Sale Indebtedness and all other payments due to the Vendor under this Agreement shall be paid to the Vendee), and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Terminations) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that (1) "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Terminations) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease (2) "income and proceeds from the Equipment" shall also mean and include the amounts paid to the Vendee by the Beneficiaries pursuant to the last two sentences of Paragraph 19 of the Participation Agreement; provided, however, that in the event the rental payment under the Lease due on July 2, 1981, is increased to reflect a payment made by the Vendee on December 30, 1980, pursuant to Section 2.1 of the Lease, "income and proceeds from the Equipment" shall not mean or include the amount of such increased rental and (3) "income and proceeds from the Equipment" shall in no event include the amounts paid pursuant to § 2.1 of the Lease on any rental payment date if, but only

if, the Beneficiaries have made or caused the Vendee to make the payment of CSA Indebtedness and interest due on the immediately preceding December 30 or June 30, as the case may be, pursuant to clause (b) of the third paragraph of Article 4 hereof. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Retention of Property and Security Interest in the Equipment. The Vendor shall and hereby does retain the property, and to the extent applicable a security interest, in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title

of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, federal or foreign taxes (other than gross receipts taxes [except gross receipt taxes in the nature of or in lieu of sales or use or rental taxes], taxes measured by net income, excess profits taxes and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions), all of which such impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its ownership thereof (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any

amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance, Termination and Casualty Occurrences. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition, ordinary wear and tear excepted.

In the event that the Lease is terminated pursuant to § 12 of the Lease (a "Termination") or any unit of the Equipment shall suffer a Casualty Occurrence (as defined in Section 11.2 of the Lease), the Vendee shall, promptly after it shall have received notice from the Lessee or has otherwise been informed of a Termination or that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the next succeeding date for the payment of an installment on the Conditional Sale Indebtedness after such notice from the Lessee has been received or on the Termination Date (as defined in the Lease) in the case of a Termination (each such date hereinafter called a Settlement Date), the Vendee shall, subject to the limitations contained in the last paragraph of Article 4 hereof, pay to the Vendor (i) in the case of a Casualty Occurence, a sum equal to the Casualty Value (as hereinafter defined in this Article 7) of such unit suffering a Casualty Occurrence as of such Settlement Date, together with an amount equal to accrued interest thereon (as hereinafter provided) and (ii) in the case of a Termination, a sum equal to the Termination Value (as hereinafter defined in this Article 7) of such unit subject to such Termination as of such Settlement Date. The Vendee shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit or the Termination Value of such unit, as the case may be. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) on the date of such payment to prepay (without penalty or premium), ratably in accordance with the unpaid balance of each installment, the Conditional Sale Indebtedness, together with all interest accrued on the portion of the Conditional Sale Indebtedness being prepaid. The Vendee shall promptly cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and inter-

est thereafter to be made, in such number of counterparts as the Assignee may request, calculated as provided in Article 4 hereof. In the event of the requisition for use by the United States or Canadian Government of any unit of the Equipment, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as if such requisition had not occurred.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original Conditional Sale Indebtedness in respect of such unit remaining unpaid on the date as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit). For the purpose of this paragraph and the next succeeding paragraph hereof, each payment of the Purchase Price made pursuant to Article 4 hereof shall be deemed to be a payment with respect to each unit of Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the Equipment then subject to this Agreement.

The Termination Value of any unit subject to a Termination on any Termination Date shall be equal to the Casualty Value thereof on such date plus accrued interest thereon.

Upon payment by the Vendee to the Vendor (i) of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence or (ii) of the Termination Value of any unit subject to a Termination, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value here-

under, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 8. Reports and Inspections. On or before May 31 in each year, commencing with the year 1981, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in Section 13.1 of the Lease. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered and marked as provided in Section 4.2 of the Lease. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, obliterated, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessees.

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with

all Applicable Laws (as defined in Section 7 of the Lease), and in the event that such laws or rules require any alteration, replacement or modification of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall, subject to Section 18.1 of the Lease, be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder, and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason

of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that, subject always to Paragraph 18 of the Participation Agreement, the Vendee will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Vendee or (to the extent it receives funds for such purpose) the Beneficiaries, or their successors or assigns, not arising out of the ownership of the Equipment or the transactions contemplated hereby (but including income taxes arising out of the receipt of rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder; but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Builder and the Assignee from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto or a security interest therein remains in the

Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except however, in the case of the Builder, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Article 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

The Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of its Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

The Builder represents that it is not entering into this Agreement, or entering into any assignment of this Agreement, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

The agreement of the parties relating to the Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not (a) except as provided in Article 11 hereof, transfer the right to possession of any unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement without the prior written consent of the Vendor unless such sale, assignment, transfer or disposition is made, expressly subject in all respects to the rights and

remedies of the Vendor hereunder (including, without limitation, rights and remedies against the Vendee and the Lessee), to a finance company, bank or trust company organized under the laws of the United States or any State thereof and having its principal office in the continental United States, having a combined capital and surplus of not less than $50,000,000 that is appointed pursuant to Article VII of the Trust Agreement, and such bank or trust company expressly assumes, in writing, in form satisfactory to the Vendor, all the obligations of the Vendee hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to construct and deliver its Equipment in accordance herewith or to respond to its warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its obligations to the Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct. The Vendee may rely upon documents received pursuant to this paragraph believed by it in good faith to be true and authentic.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the

Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of the Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builder.

ARTICLE 15. Defaults. In the event that any one or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 10 business days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded, in a writing addressed to the Vendee and the Lessee, performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) any proceeding shall be commenced by or against any Beneficiary, the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee

under the Lease or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee under this Agreement or of the Lessee under the Lease and the Consent or of such Beneficiary under the Trust Agreement, as the case may be, shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee, or the Lessee, or such Beneficiary, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(d) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(e) an Event of Default shall have occurred under the Lease; provided, however, that any Event of Default under Sections 15.1(a) or 15.1(e) of the Lease shall not be deemed to be an event of default hereunder if (i) within 10 business days the Vendor shall make payment of all amounts in default under said subparagraph (a) of this Article 15 or shall cure the Event of Default under Section 15.1(e) of the Lease, as the case may be, and (ii) not more than two such Events of Default shall have occurred;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee, each Beneficiary and the Lessee and upon compliance with

any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the proviso in the second paragraph of Section 3 of the Lease relating to the Lessee's rights of possession, use and assignment under Section 18.1 of the Lease, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination; provided, however, that such termination shall not be in derogation of or impair the rights of the Vendee to enforce compliance by the Lessee with any of its covenants and agreements under the Lease or to enforce any of its rights and remedies under Section 15 of the Lease (subject to the Vendor's rights to repossess and sell the Equipment as provided herein), including the rights of the Vendee to sue for and recover damages provided for in Section 15.2(a) of the Lease upon the occurrence of an Event of Default under the Lease, and/or (ii) declare (a "Declaration of Default") the entire unpaid Conditional Sale Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the Conditional Sale Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Articles 4 and 21 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement. Knowledge of the Vendee shall mean actual knowledge of an officer or employee of its Corporate Trust Department.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwith-

standing the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. Subject to the Lessee's rights of possession, use and assignment under Sections 3 and 18.1 of the Lease at any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee or, at the expense of the Vendee (subject to Article 4 hereof), upon any other storage tracks, as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place within 500 miles on any lines of railroad or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire Conditional Sale Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee, the Beneficiaries and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, the Lessee or any other persons

notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of

gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than 10 days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 railroads have been solicited in writing to submit bids), it shall be subject to the rights of the Lessee and the Vendee to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder. From and after the date of any such sale, the Vendee shall (subject to Article 4 hereof) pay to the Vendor an amount equal to the interest rate on the unpaid Conditional Sale Indebtedness with respect to any such unit which shall not have been assembled, as hereinabove provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obliga-

tions hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall (subject to Article 4 hereof) pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will (subject to Article 4 hereof) pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and in all other places required by Section 15 of the Lease; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish or cause to be furnished to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Purchase Order and the Participation Agreement and its exhibits, this Agreement exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor and the Vendee.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first class mail, postage prepaid, at the following addresses:

(a) to the Vendee, at One Constitution Plaza,

Hartford, Connecticut 06115, Attention of Corporate Trust Department, with a copy to each Beneficiary at its address set forth in the Participation Agreement,

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

(c) to the Builder, at its address specified in Item 1 of Annex A hereto,

(d) to either Beneficiary, at its address set forth in the Participation Agreement,

(e) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second and eighth paragraphs of Article 16 and under Articles 3 and 6, the first paragraph of Article 7, and Articles 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the Vendee, are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company, or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, except as provided in the last paragraph of Article 12 and in clause (i) of the second sentence of the ninth paragraph of Article 4, and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct, in the case of said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except as aforesaid) or the Beneficiaries on account of this Agreement or on account of any representation, warranty, undertaking or agreement of the Vendee (except as aforesaid) or the Beneficiaries hereunder, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor.

The Vendee agrees that it will not enter into any amendment to or modification of the Trust Agreement except as provided in Article VIII thereof.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Connecticut; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof 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 of the Equipment shall be located, and any rights arising out of the markings of the units of Equipment.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the

counterpart delivered to the Assignee pursuant to the Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, Procor Limited has caused its corporate seal to be affixed hereunto duly attested by the hands of its authorized signing officers in that behalf at the Town of Oakville in the Regional Municipality of Halton in the Judicial District of Halton, in the Province of Ontario, Canada as of the date first above written.

PROCOR LIMITED,

by

Vice President and
General Manager
Rail Car Division

[CORPORATE SEAL]

Attest:

by

Secretary

Assistant Secretary and
ASSISTANT Treasurer

IN WITNESS WHEREOF, The Connecticut Bank and Trust Company has caused its corporate seal to be affixed hereto duly attested by the hands of its authorized signing officers in that behalf as of the date first above written.

THE CONNECTICUT BANK AND TRUST COMPANY, as Owner Trustee as aforesaid,

by

Authorized Officer

[CORPORATE SEAL]

Attest:

Authorized Officer

CANADA)
)
PROVINCE OF ONTARIO)
)
JUDICIAL DISTRICT OF HALTON)
)
TO WIT:)

On this day of January 1980, at the Town of Oakville, in the Regional Municipality of Halton, in the Province of Ontario, Canada, before me personally appeared and , each to me personally known, who, being duly sworn, say that they are respectively Vice President and General Manager, Rail Car Division; and Assistant Secretary and Assistant Treasurer of PROCOR LIMITED, and that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and they acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

My Commission expires at the pleasure of Her Majesty The Queen in the right of the Province of Ontario, Canada.

Barrister and Solicitor, Commissioner and Notary Public for taking Affidavits in and for the Province of Ontario, Canada

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

On this 22 day of January 1980, before me personally appeared Clark M. Whitcomb, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

My Commission expires

Catherine Forrester
Notary Public
CATHERINE FORRESTER
NOTARY PUBLIC, State of New York
No. 30-01FO4993212
Qualified in Nassau County
Certificate filed in New York County

C(2)-31A

CANADA)
)
PROVINCE OF ONTARIO)
)
JUDICIAL DISTRICT OF HALTON)
)
TO WIT:)

On this 23rd day of January, 1980 at the Town of Oakville in the Regional Municipality of Halton, in the Province of Ontario, Canada, before me personally appeared Gordon Clifford Mills and William Elmer McDougall, each to me personally known, who, being duly sworn, say that they are respectively Vice-President and General Manager, Rail Car Division; and Assistant Secretary and Assistant Treasurer of Procor Limited, and that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

My Commission expires at the pleasure of Her Majesty The Queen in the right of the Province of Ontario, Canada.

George Manjuris
Barrister and Solicitor,
Commissioner and Notary Public for taking Affidavits in and for the Province of Ontario, Canada

SCHEDULE I

Allocation Schedule of Each $1,000,000
of 11-1/4% Conditional Sale Indebtedness Payable
in Installments

Payment Number	Date	Debt Service	Interest Payment	Principal Recovery	Remaining Principal Balance
Interim	12/30/80	$ *	$ *	$ .00	$1,000,000.00
1	6/30/81	61,419.26	56,250.00	5,169.26	994,830.74
2	12/30/81	61,419.26	55,959.23	5,460.03	989,370.71
3	6/30/82	61,419.26	55,652.10	5,767.16	983,603.55
4	12/30/82	61,419.26	55,327.70	6,091.56	977,511.99
5	6/30/83	61,419.26	54,985.05	6,434.21	971,077.78
6	12/30/83	61,419.26	54,623.12	6,796.14	964,281.64
7	6/30/84	61,419.26	54,240.84	7,178.42	957,103.22
8	12/30/84	61,419.26	53,837.06	7,582.20	949,521.02
9	6/30/85	61,419.26	53,410.56	8,008.70	941,512.32
10	12/30/85	61,419.26	52,960.07	8,459.19	933,053.13
11	6/30/86	61,419.26	52,484.24	8,935.02	924,118.11
12	12/30/86	61,419.26	51,981.64	9,437.62	914,680.49
13	6/30/87	61,419.26	51,450.77	9,968.49	904,712.00
14	12/30/87	61,419.26	50,890.05	10,529.21	894,182.79
15	6/30/88	75,067.80	50,297.78	24,770.02	869,412.77
16	12/30/88	75,067.80	48,904.47	26,163.33	843,249.44
17	6/30/89	75,067.80	47,432.78	27,635.02	815,614.42
18	12/30/89	75,067.80	45,878.31	29,189.49	786,424.93
19	6/30/90	74,501.02	44,236.40	30,264.62	756,160.31
20	12/30/90	72,259.56	42,534.01	29,725.55	726,434.76
21	6/30/91	69,942.11	40,861.95	29,080.16	697,354.60
22	12/30/91	67,749.57	39,226.19	28,523.38	668,831.22
23	6/30/92	65,453.29	37,621.75	27,831.54	640,999.68
24	12/30/92	63,311.58	36,056.23	27,255.35	613,744.33
25	6/30/93	61,039.21	34,523.11	26,516.10	587,228.23
26	12/30/93	58,949.85	33,031.58	25,918.27	561,309.96
27	6/30/94	56,703.03	31,573.68	25,129.35	536,180.61
28	12/30/94	54,668.23	30,160.16	24,508.07	511,672.54
29	6/30/95	52,449.58	28,781.58	23,668.00	488,004.54
30	12/30/95	51,147.13	27,450.25	23,696.88	464,307.66
31	6/30/96	49,657.68	26,117.30	23,540.38	440,767.28

* Interest only in the Conditional Sale Indebtedness shall be payable to the extent accrued on this date.

Payment Number	Date	Debt Service	Interest Payment	Principal Recovery	Remaining Principal Balance
32	12/30/96	$ 49,043.63	$ 24,793.16	$ 24,250.47	$ 416,516.81
33	6/30/97	48,246.96	23,429.07	24,817.89	391,698.92
34	12/30/97	47,454.14	22,033.06	25,421.08	366,277.84
35	6/30/98	67,415.27	20,603.12	46,812.15	319,465.69
36	12/30/98	75,067.94	17,969.94	57,098.00	262,367.69
37	6/30/99	75,067.94	14,758.18	60,309.76	202,057.93
38	12/30/99	75,067.94	11,365.75	63,702.19	138,355.74
39	6/30/00	75,067.94	7,782.51	67,285.43	71,070.31
40	12/30/00	75,068.01	3,997.70	71,070.31	.00
Totals		$2,545,472.45	$1,545,472.45	$1,000,000.00	

Annex A

to

Conditional Sale Agreement

Item 1: Procor Limited, 2001 Speers Road, Oakville, Ontario L6J 5E1, Canada, Attention of Assistant Secretary-Treasurer.

Item 2: The Equipment shall be settled for in Groups monthly in the month following any month in 1980 in which units of the Equipment are delivered to and accepted by the Vendee hereunder on the following dates in 1980: March 18, April 15, May 15, June 17, July 15, August 14, September 16, October 15, November 18 and December 16, unless a different settlement schedule shall be agreed to by the parties hereto.

Item 3: (a) The Builder warrants that the Manufactured Equipment built by it will be built in accordance with the Specifications and the standards and requirements set forth in Article 2 of the Conditional Sale Agreement to which this Annex is attached (the "Agreement") and warrants each unit of the Manufactured Equipment (except as to specialties incorporated therein which are specified by the Lessee and not manufactured by the Builder) to be free from any defects in material and workmanship under normal use and service for one year after delivery of the units to the Vendee or 40,000 miles in scheduled service whichever first occurs (or in the case of patent or obvious defects within ten (10) days after delivery); the Builder's obligation under this warranty being limited as the Builder may elect to

(i) repair or rectification of the defect at any of the Builder's repair facilities in Canada, all transportation charges prepaid, or

(ii) replacement of any defective part or parts of any unit at any of the Builder's

repair facilities in Canada, all transportation charges prepaid, or

(iii) the cost of repair or replacement in accordance with The Association of American Railroads Code of Governing Condition of and Repairs to Freight and Passenger Cars with Interchange of Traffic,

and which the Builder's examination shall disclose to its satisfaction to have been defective.

THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES EXPRESSED OR IMPLIED ON THE PART OF THE BUILDER, STATUTORY OR OTHERWISE INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND OF ALL OTHER OBLIGATIONS OR LIABILITIES ON THE PART OF THE BUILDER AND THE BUILDER NEITHER ASSUMES NOR AUTHORIZES ANY PERSON TO ASSUME FOR THE BUILDER ANY OTHER WARRANTY LIABILITY IN CONNECTION WITH THE CONSTRUCTION AND DELIVERY OF THE UNITS. SAVE AS PROVIDED HEREIN THE BUILDER SHALL NOT BE LIABLE FOR DAMAGES ARISING FROM ABUSE, MISUSE, NEGLIGENCE OR ACCIDENT OR FOR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO LOSS OF USE, INCOME OR PROFIT.

(b) In respect of the Purchased Equipment only:

(i) the Builder makes no warranty of material and workmanship whatsoever;

(ii) the Builder agrees to the extent legally possible without impairing any warranty claim, right or cause of action (hereinafter referred to as "Claim"), to assign and set over to the Vendee every warranty given to the Builder by National Steel Car Corporation, Limited, in respect of such cars and every Claim which the Builder has or shall have against National Steel Car Corporation, Limited, in respect of the manufacture of such cars or breach or alleged breach of such warranty;

(iii) the Builder agrees to give to the Vendee all and every such further assurances as may be reasonably requested and as the Builder may be in a position to grant to the Vendee in order to more fully effectuate the assignment and delivery of such warranties and Claims;

(iv) to the extent such Claims or warranties cannot be assigned, the Builder agrees to take such action in respect of such claim or breach or alleged breach of warranty as the Vendee or the Lessee may reasonably request, provided the Builder is not legally prevented from lodging such claim and provided the Vendee or the Lessee shall indemnify and hold the Builder harmless from and against any and all costs and expenses, including legal fees, incurred in connection therewith as a result of taking such action at the Vendee's or the Lessee's request.

The Builder further agrees with the Vendee that neither the inspection as provided in Article 3 of the Agreement, nor any examination, nor the acceptance of any such units as provided in said Article 3 shall be deemed a waiver or a modification by the Vendee of any of its rights under sections (a) and (b) of this Item 3.

Item 4: Except in cases of articles or materials specified by the Lessee and not manufactured by the Builder and in cases of designs, systems, processes, formulae or combinations specified by the Lessee and not developed or purported to be developed by the Builder, the Builder agrees, with respect to the Manufactured Equipment, to indemnify, protect and hold harmless the Vendee, the Beneficiaries and the Lessee from and against any and all liability, claims, costs, charges and expense, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee, the Beneficiaries or the Lessee, their assigns or the users of the Manufactured Equipment, because of the use in or about the construction or operation of any of the Manufactured Equipment of any design, system, process, formula, combination,

article or material which infringes or is claimed to infringe on any patent or other right. The Vendee, the Beneficiaries and the Lessee will give prompt notice to the Builder of any claim known to them, respectively, from which liability may be charged against the Builder hereunder. At its expense and cost, the Builder with its counsel shall defend such claim. The Vendee, the Beneficiaries and the Lessee shall provide such information as they may possess reasonably to enable the Builder to defend such claim. The Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, assign, set over and deliver to the Vendee, the Beneficiaries and the Lessee every claim, right and cause of action which the Builder has or hereafter shall have against the seller or sellers of any designs, systems, processes, formulae, combinations, articles or materials specified by the Lessee and purchased or otherwise acquired by the Builder for use in or about the construction or operation of any of the Manufactured Equipment on the ground that any such design, system, process, formula, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right. The Builder further agrees to execute and deliver to the Vendee, the Beneficiaries and the Lessee or the users of the Manufactured Equipment all and every such further assurance as may be reasonably requested more fully to effectuate the assignment and delivery of every such claim, right and cause of action. Such covenants of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement, or the satisfaction, discharge or termination of this Agreement in any manner whatsoever.

Item 5: The Maximum Purchase Price referred to in Article 4 of the Conditional Sale Agreement to which this Annex A is attached is $Can. 10,209,000 plus 100/72.7784 of the amount, if any, by which the investments of the Investors may be increased pursuant to Paragraph 2 of the Participation Agreement; provided, however, that the total

Maximum Purchase Price referred to in Article 4 of this Conditional Sale Agreement and ~~in~~ Article 4 of the Conditional Sale Agreement dated as of January 2, 1980, between the Vendee and Hawker Siddeley Canada Ltd. shall not exceed $Can. 23,986,091.

Item 6: The Maximum Conditional Sale Indebtedness referred to in Article 4 of the Conditional Sale Agreement to which this Annex A is attached is $Can. ~~7,429,497.80~~ 7,429,946.86 plus the amount, if any, by which the investments of the Investors may be increased pursuant to Paragraph 2 of the Participation Agreement; provided, however, that the total Conditional Sale Indebtedness referred to in Article 4 of this Conditional Sale Agreement and in Article 4 of the Conditional Sale Agreement dated as of January 2, 1980, between the Vendee and Hawker Siddeley Canada Ltd. shall not exceed $Can. ~~17,455,638.~~ 17,456,693.25

Annex B
to
Conditional Sale Agreement

Type	Designation	Builder's Specifications	Builder's Plant	Quantity	Road Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
Procor								
Vinyl Chloride Monomer Rail Tank Cars new	105-A-300W	Specification Sheet No. 106/7 Dated November 8, 1979	Sarnia, Ontario	90	DCLX 1125-1214	$ Can. 71,000	$ Can. 6,390,000	February-May and August-October 1980, at Oakville, Ontario
Vacuum Pneumatic Hopper Rail ~~Plastic Hopper~~ Cars new	LO	Specification Sheet Classification L 254 Dated October 27, 1978		57	DCLX 7040-7096	$ Can. 67,000	$ Can. 3,819,000	March-June 1980, at Oakville, Ontario
				147			$ Can. 10,209,000	

ANNEX C
to Conditional Sale Agreements
[CS&M Ref.: 2043-977]

LEASE

Dated as of January 2, 1980

BETWEEN

THE CONNECTICUT BANK AND TRUST COMPANY,

Lessor,

AND

THE DOW CHEMICAL COMPANY,

Lessee.

TABLE OF CONTENTS

		Page
SECTION 1.	LEASE AND DELIVERY OF EQUIPMENT	L-2
	1.1. Intent To Lease	L-2
	1.2. Delivery and Acceptance of Items ...	L-2
SECTION 2.	RENTALS AND PAYMENT DATES	L-3
	2.1. Rentals	L-3
	2.2. Place of Rent Payment	L-4
	2.3. Net Lease	L-4
SECTION 3.	TERM OF THE LEASE	L-5
SECTION 4.	OWNERSHIP AND MARKING OF EQUIPMENT	L-5
	4.1. Retention of Title	L-5
	4.2. Duty To Number and Mark	L-6
SECTION 5.	DISCLAIMER OF WARRANTIES	L-7
SECTION 6.	TAXES	L-8
SECTION 7.	RULES, LAWS AND REGULATIONS	L-10
SECTION 8.	MAINTENANCE; INDEMNITY	L-11
	8.1. Maintenance	L-11
	8.2. Indemnity	L-11
SECTION 9.	LIENS ON THE EQUIPMENT	L-12
SECTION 10.	FILING	L-13
SECTION 11.	INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE	L-14
	11.1. Insurance	L-14
	11.2. Duty of Lessee To Notify Lessor ..	L-15
	11.3. Casualty Value	L-15
	11.4. Disposition of Equipment	L-16
	11.5. Eminent Domain	L-16
	11.6. Risk of Loss	L-17

Page

SECTION 12. EARLY TERMINATION L-17

12.1. Election To Terminate L-17
12.2. Obtain Bids; Sale L-17
12.3. Election To Retain Items L-18

SECTION 13. ANNUAL REPORTS L-19

13.1. Duty of Lessee To Furnish L-19
13.2. Lessor's Inspection Rights L-19
13.3. Other Reports L-19

SECTION 14. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM L-19

SECTION 15. DEFAULT L-21

15.1. Events of Default L-21
15.2. Remedies L-22
15.3. Cumulative Remedies L-23
15.4. Notice of Event of Default L-24

SECTION 16. RETURN OF EQUIPMENT UPON DEFAULT L-24

16.1. Lessee's Duty To Return L-24
16.2. Specific Performance L-25
16.3. Lessor Appointed Lessee's Agent L-25

SECTION 17. ASSIGNMENTS BY LESSOR L-25

SECTION 18. ASSIGNMENTS BY LESSEE; USE AND POSSESSION; PRIORITY L-26

18.1. Lessee's Rights to the Equipment L-26
18.2. Use L-27

SECTION 19. RIGHT OF FIRST REFUSAL; RENEWAL OPTIONS L-27

19.1. Right of First Refusal L-27
19.2. Renewal Options L-27

SECTION 20. INTEREST ON OVERDUE RENTALS L-28

Page

SECTION 21. MISCELLANEOUS L-28

21.1. Notices L-28
21.2. Right of Lessor To Perform L-28
21.3. Execution in Counterparts L-29
21.4. Law Governing L-29
21.5. Severability L-29
21.6. Immunities; No Recourse L-29

ATTACHMENTS TO EQUIPMENT LEASE:

SCHEDULE A--DESCRIPTION OF ITEMS OF EQUIPMENT

SCHEDULE B--SCHEDULE OF CASUALTY VALUES

SCHEDULE C--CERTIFICATE OF ACCEPTANCE

LEASE dated as of January 2, 1980, between THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely in its capacity as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with City National Bank and First National Bank of Louisville (the "Beneficiaries").

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

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

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

The Builders are assigning their respective interests in the Security Documentation to Mercantile-Safe Deposit and Trust Company, acting as agent (together with its successors and assigns, the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Beneficiaries and the parties named in Schedule A thereto.

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

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

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

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT

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

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

At the time of such acceptance, the Lessee shall execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") substantially in the form of Schedule C hereto, stating that such Item has been inspected and accepted on behalf of the Lessee and the Lessor and is marked in accordance with § 4.2 hereof. Upon delivery and acceptance of an Item under the Security Documentation, it shall be deemed to have been delivered to and accepted by the Lessee under this Lease. The delivery, inspection and acceptance hereunder of any Item excluded from the Security Documentation pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such Item to this Lease. The inspection and acceptance by the Lessee of any Item shall not in any way release any

warranty rights which the Lessee or Lessor may have against the Builder thereof.

SECTION 2. RENTALS AND PAYMENT DATES

2.1. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Item subject to this Lease, 40 consecutive semiannual payments payable on January 2 and July 2 of each year, commencing on July 2, 1981 (each such date being hereinafter sometimes called a "Rental Payment Date"). Subject to the further provisions of this paragraph, the first 14 semiannual rental payments in respect of each Item shall be each in an amount equal to 4.47% of the Purchase Price (as defined in the Security Documentation) of such Item and the last 26 semiannual rental payments shall be each in an amount equal to 5.46333% of the Purchase Price of such Item. If the delivery dates of the Equipment shall vary from those contemplated in Annex B to the Security Documentation the rentals payable hereunder and the Casualty Values (as defined in § 11.3 hereof) and the Termination Values (as defined in § 12.2 hereof) shall be appropriately adjusted so as to cause each Beneficiary's after-tax economic yields and cash flows, computed on the same assumptions, including tax rates, as were utilized by such Beneficiary in originally evaluating this transaction (the "Net Economic Return") to equal the Net Economic Return that would have been realized by such Beneficiary if the delivery dates of the Equipment have not been changed. If the Lessor shall make a payment pursuant to the first paragraph of Paragraph 9, or clause (a) of the last paragraph of Paragraph 9, of the Participation Agreement the rental payment due hereunder on July 2, 1981, shall be increased by an equal amount. If the Lessor shall receive a payment pursuant to the last sentence of the third paragraph of Paragraph 9 of the Participation Agreement the rental payment due hereunder on July 2, 1981, shall be decreased by an equal amount. The rentals payable pursuant to this § 2 on each Rental Payment Date shall in no event, however, be less than the principal and interest payment then due (or if the same was paid, due and payable on the immediately preceding December 30 or June 30, as the case may be) and payable pursuant to Article 4 of the Security Documentation.

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

If any of the rental payment dates is not a business day, the rental payment otherwise payable on such date

shall by payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in Boston, Massachusetts, Baltimore, Maryland, Hartford, Connecticut, Midland, Michigan, or New York, New York, are authorized or required to close.

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

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

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

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

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

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

(d) the invalidity or unenforceability of the Lease or any other infirmity therein or any lack of power or authority of the Lessor to enter into the Lease;

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

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

To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 17 hereof for any reason.

SECTION 3. TERM OF THE LEASE

The term of this Lease as to each Item shall begin on the date of delivery and acceptance of such Item hereunder and, subject to the provisions of §§ 11, 12 and 15 hereof, shall terminate on January 2, 2001. The obligations of the Lessee under this Lease shall survive the expiration of the term or the termination of this Lease except as expressly otherwise provided.

All rights and obligations of the Lessee under this Lease and in and to the Items are subject to the rights of the Vendor under the Security Documentation. If an event of default should occur under the Security Documentation, the Vendor may terminate this Lease as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment under § 18.1 hereof.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT

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

interest to the Equipment except hereunder as Lessee, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee.

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

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

with appropriate changes and additions as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 17 hereof. The Lessee will not place any Item in operation until the required legend shall have been so marked.

The Lessee will not change the road number of any Item unless (i) the Lessor shall have been given 180 days prior written notice from the Lessee of a proposed change, (ii) a statement of new numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Documentation shall have been filed, recorded and deposited and (iii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect. Upon receipt by the Lessor of the notice referred to in clause (i) above with respect to any Item, the Lessor at its option may direct the Lessee to have such Item marked with a road number selected by the Lessor, and the Lessee at its own cost and expense shall forthwith cause the Item to be marked as directed by the Lessor. The Items may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessee.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person,

association or corporation to be placed on any Item as a designation that might be interpreted as a claim of ownership.

SECTION 5. DISCLAIMER OF WARRANTIES

THE LESSOR DOES NOT MAKE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE ITEMS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE ITEMS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE ITEMS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ITEM, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE. All such risks, as between the Lessor and the Lessee, are to be borne by the Lessee.

The Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against a Builder under the provisions of the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Items or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Items or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Items. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Items described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

SECTION 6. TAXES

All payments to be made by the Lessee hereunder will be free of expense to the Lessor (both in its individual and fiduciary capacities) for collection or other charges and will be free of expense to the Lessor (both in its individual and fiduciary capacities) with respect to the amount of any local, state, Federal or Canadian taxes other than the following:

(a) any state franchise taxes or United States Federal net income tax payable by the Lessor in consequence of the receipt of payments provided for herein;

(b) the aggregate of all United States state or local taxes measured by net income based on such receipts.

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

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

However, the Lessee shall not be under any obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such Impositions, and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor

hereunder or the Vendor under the Security Documentation. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof, and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest; provided, however, that the Lessee shall indemnify the Lessor (both in its individual and fiduciary capacities) for all reasonable costs and expenses, including attorneys' fees, in connection with such contest. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessor shall have given the Lessee written notice of such Imposition prior to such payment, and within a reasonable time in view of the time for contesting such Imposition.

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

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

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

In the event that:

(a) the Lessor shall become obligated to make any

payment (i) pursuant to Article 6 of the Security Documentation to the Vendor, or (ii) otherwise pursuant to any correlative provision of the Security Documentation, or

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

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

SECTION 7. RULES, LAWS AND REGULATIONS

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects with all applicable laws of the jurisdictions in which operations involving the Items may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transport (Canada) and the United States Department of Transportation and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Items, to the extent that such laws and rules affect the title, operation or use of the Items (all such laws and rules to such extent being hereinafter called "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal hereof, any Applicable Law requires any alteration, replacement, addition or modification of or to any part on any Item, the Lessee will conform therewith at its own expense, and title to any additions or improvements so made shall thereupon vest in the Lessor.

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

The Lessee, at its own cost and expense, may furnish additions, modifications and improvements to the Items during the term of this Lease provided that such additions,

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

SECTION 8. MAINTENANCE; INDEMNITY

8.1. Maintenance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Item which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted. Each Item will be maintained at least as well as other similar equipment owned or leased by the Lessee, which will conform to any conditions set forth in the applicable Builder's warranties during the term of such warranties.

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

The foregoing indemnities shall not extend to any loss, damage, injury, liability, claim, demand, cost, charge

or expense incurred by any indemnified party (a) caused by the wilful misconduct or gross negligence of such indemnified party, (b) resulting from acts or events with respect to any Item which commence after such Item has been returned to the Lessor in accordance with § 14 hereof, (c) arising from the breach of an express duty, obligation, representation or warranty of such indemnified party made herein or in any of the documents related to the transactions contemplated hereby, or (d) caused by the violation of such indemnified party of any banking, investment, insurance or securities law, rule or regulation applicable to it (unless such violation shall be the result of any written misrepresentation, violation or act of the Lessee).

SECTION 9. LIENS ON THE EQUIPMENT

The Lessee shall pay or satisfy and discharge

(a) any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment,

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

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

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

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's

or other like liens arising in the ordinary course of business and, in each case, not delinquent.

SECTION 10. FILING

The Lessee, at its own expense, will cause this Lease, the Security Documentation and each assignment hereof or thereof to be filed and recorded with (i) the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303, (ii) in the applicable offices of British Columbia, Alberta, Saskatchewan, Ontario, Manitoba and Pictou County, Nova Scotia, and (iii) in the applicable office of each other county, province or territory in which any Item will be used, subject to the proviso set forth in the next sentence. The Lessee will undertake, at its own expense, the filing, registering, deposit and recording required of the Lessor under the Security Documentation and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Items, or for the purpose of carrying out the intention of this Lease, the Security Documentation and the assignment thereof to the Vendor; provided, however, that the Lessee shall not be required to take any such action in respect of the jurisdictions referred to in clause (iii) above if (1) the Lessee deems such action to be unduly burdensome, (2) if after giving effect to the failure to take such action, the Lessee has taken all action required by law to protect the title of the Lessor to, and the security interest of the Vendor in, Items having a fair market value of not less than 85% of all the Items then subject to this Lease and (3) any Item at any time located in such jurisdiction shall have been marked with markings specified in § 4 hereof.

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

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE

11.1. Insurance. From the time any Item is accepted by the Lessee and throughout the term of this Lease, (i) the Lessee may, at its sole expense and in its sole discretion, self-insure any or all of the Items in respect of events of actual or constructive loss of the Equipment, including, but not limited to, insurance against the loss of, or damage to the Equipment, and (ii) the Lessee shall, at its sole expense, obtain and maintain insurance on each Item from time to time subject hereto, with such insurers, covering such risks as the Lessor or the Vendor may reasonably require with respect to public liability and property damage insurance covering liability for personal injuries, death or property damage resulting from the ownership, maintenance, use or operation of the Equipment. All insurance policies required hereby shall, without limitation of the foregoing:

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

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

To the extent that the Lessee is not self-insuring any or all of the Items, the Lessee hereby agrees to provide the Lessor and the Vendor with certificates evidencing the coverages specified in this paragraph; said certificates will be delivered to the Lessor and the Vendor on or before April 30 in each year, commencing with the year 1980; provided, however, that if the delivery of any certificate is delayed, the Lessee shall deliver an executed binder with respect thereto and shall deliver the certificate upon receipt thereof.

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

If the Lessor shall receive any insurance or self-insurance proceeds from insurance maintained by the Lessee pursuant hereto or directly from the Lessee pursuant to the

Lessee's right to self-insure any or all of such Items or shall receive condemnation payments in respect of an Item suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Item, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee, and any balance of such proceeds or condemnation payments shall remain the property of the Lessor; provided, however, that no Event of Default shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such Items, to the Lessor. All insurance or self-insurance proceeds received by the Lessor in respect of any Item not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Item in respect of which such proceeds were paid has been fully repaired.

11.2. Duty of Lessee To Notify Lessor. In the event that any Item is lost, stolen, destroyed or irreparably damaged from any cause whatsoever, returned to the Builder pursuant to the patent indemnity provisions of the Security Documentation, or taken or requisitioned by governmental authority by condemnation or otherwise resulting in loss of possession by the Lessee for a period which extends beyond the term of this Lease, except a requisition for use by the United States or Canadian Government (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Item in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto.

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

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

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

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

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

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

11.5. Eminent Domain. In the event of the requisition for use by the United States or Canadian Government (hereinafter called the Government) of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 14 or 16 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 14 or 16, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the United States or Canadian Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from such Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

11.6. Risk of Loss. Except as hereinabove in this § 11 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Item from and after delivery and acceptance thereof by the Lessee hereunder.

SECTION 12. EARLY TERMINATION

12.1. Election To Terminate. In the event that the Lessee shall, in its reasonable judgment, determine that any Group (as hereinafter defined) of Items has become economically obsolete in the Lessee's business, the Lessee shall have the right, at its option and on at least 180 days' prior written notice to the Lessor, to terminate (hereinafter called a "Termination") this Lease as to such Group as of any succeeding rental payment date specified in such notice (the termination date specified in such notice being hereinafter called the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than July 2, 1988, (ii) no Event of Default or other event which after the lapse of time or notice or both would become an Event of Default shall have occurred and be continuing and (iii) on the Termination Date each Unit in such Group shall be in the same condition as if being redelivered pursuant to § 14 hereof. For this purpose, the term "Group of Units" shall mean all units with the same Builder's Specifications (as set forth in Schedule A hereto) subject to this Lease at the Termination Date.

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

On such Termination Date, the Lessee shall pay to

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

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

In the event of any such sale and the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 2 hereof in respect of such Item on each rental payment date shall continue to and include the Termination Date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale other than to transfer or to cause to be transferred all of the Lessor's right, title and interest in and to such Item to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided. Any such sale shall be free and clear of all the Lessee's rights to such Item, but otherwise shall be made without warranties other than against the Lessor's acts.

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

such Items, the Lessee shall deliver such Items to the Lessor in accordance with the provisions of § 14 hereof.

SECTION 13. ANNUAL REPORTS

13.1. Duty of Lessee To Furnish. On or before May 31, 1981, and annually thereafter, the Lessee will furnish to the Lessor, the Vendor and any other assignee thereof pursuant to Section 17 hereof an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

13.2. Lessor's Inspection Rights. The Lessor, the Vendor and any other assignee thereof pursuant to Section 17 hereof each shall have the right, at their respective sole cost and expense, by their respective authorized representatives, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Equipment during the continuance of this Lease.

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

SECTION 14. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor at such location in Canada as the Lessor may designate, or in the absence

of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment at such place for a period not exceeding 90 days from the date on which 90% of the Items of Equipment are placed in storage under this § 14. Notwithstanding the previous sentence, the Lessee may elect to deliver and store any Item of Equipment at a location selected by the Lessee within a reasonable distance from the location designated by the Lessor; provided, however, that within 30 days after receipt of a written request from the Lessor, the Lessee shall deliver such Item of Equipment to the location originally designated by the Lessor. All movement and storage of each such Item is to be at the risk and expense of the Lessee, and the insurance requirements contained in Section 11.1 hereof shall continue to apply throughout such period of movement and storage. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The provisions of this Section 14 are of the essence of this Lease, and accordingly the Lessor shall be entitled to specific performance thereof. Each Item of Equipment returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. All amounts earned in respect of the Equipment after the date of expiration of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the expiration of this Lease, the Lessee shall, in addition, pay to the Lessor for each day (a) after such 30th day and until 60 days after the expiration of this Lease, an amount equal to the amount, if any, by which 1/360th of the last rental payment due hereunder prior to the expiration of this Lease exceeds the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence ("the Daily Rate") and (b) thereafter, twice the Daily Rate.

SECTION 15. DEFAULT

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

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

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

(c) any representation or warranty made by the Lessee herein or in the Participation Agreement or in any statement or certificate furnished to the Lessor, the Vendor or any Investor pursuant to or in connection with this Lease or the Participation Agreement proves untrue in any material respect as of the date of issuance or making thereof and remains unremedied for 30 days after written notice from the Lessor or the Vendor specifying the default and demanding that the same be remedied;

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

(e) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against Lessee or any other proceedings shall be commenced by or against the Lessee for any relief which includes any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extension (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all such obligations

shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings, in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced.

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

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

(b) by notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors, assigns or sublessees, to use such Items for any purpose whatever, but the Lessor shall nevertheless have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee, as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor or such assignee, as the case may be, in its sole discretion, shall specify:

(x) a sum with respect to each Item of Equipment which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination

to the end of the term of this Lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 7% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or

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

provided, however, that in the event any Item of Equipment shall have been sold, Lessor, in lieu of collecting any amounts payable thereto by the Lessee pursuant to the preceding clauses (x) and (y) with respect thereto may, if it shall so elect, demand that the Lessee pay and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the rental payment date on or immediately preceding the date of termination over the net proceeds of such sale. In addition, Lessee shall pay to Lessor any damages and expenses, other than for a failure to pay rental, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental. Any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the sales value of such Item and any rental in a commercially reasonable manner of any Item of Equipment shall conclusively establish the fair rental value of such Item.

15.3. Cumulative Remedies, etc. No remedy is exclusive of any other remedy. All remedies available to Lessor are cumulative and are in addition to all other remedies available to it at law or in equity. Nevertheless, Lessor shall be entitled to only one satisfaction of the Lessee's obligations. Failure by the Lessor to exercise a right shall not constitute a waiver of it. A waiver by the

Lessor of an Event of Default shall not constitute a waiver of any other Event of Default. The Lessee hereby waives to the extent permitted by law any mandatory requirements of law now or later in effect which might limit or modify any remedies provided herein.

15.4. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor and the Vendor, promptly upon any responsible officer's becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof and indicating the intention or expectation of the Lessee as to the disposition thereof. For the purposes of this Section 15.4, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee contained in this Lease, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 16. RETURN OF EQUIPMENT UPON DEFAULT

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

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates or, at the expense of the Lessee, on any other storage tracks, as the Lessor reasonably may designate;

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

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

Each Item of Equipment returned to the Lessor pursuant to this § 16 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. All amounts earned in respect of the Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 1/180th of the last rental payment due hereunder prior to termination of this Lease exceeds the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

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

16.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 16, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whosoever shall be at the time in possession of such Item.

SECTION 17. ASSIGNMENTS BY LESSOR

This Lease shall not be assignable in whole or in part by the Lessor without the consent of the Lessee, such consent not to be unreasonably withheld by the Lessee, but the Lessee shall be under no obligation to the assignee

except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee and such assignee shall have all of the rights of the Lessor hereunder as may be specified in such assignment.

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

18.1. Lessee's Rights to the Equipment. So long as (i) the Lessee shall not be in default under this Lease, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Items in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. So long as the Lessee shall not then be in default under this Lease (and subject to this Lease and to the rights of the Lessor hereunder, and without releasing the Lessee from its obligations hereunder), the Lessee may sublease the Units to an Affiliate, or under a written sublease to a railroad classified by the Interstate Commerce Commission as a Class I railroad or to a major Canadian railroad or any other responsible company subject in each case to the prior written consent of the Lessor, which shall not be unreasonably withheld. The Lessee shall not, without such written consent, except as provided in this § 18.1 part with the possession of, or suffer or allow to pass out of its possession or control, any of the Items. The Lessor hereby consents to such a sublease to Dow Chemical of Canada, Limited ("Dow Canada"). For the purpose of this § 18.1, "Affiliate" shall mean any corporation which, directly or indirectly, controls or is controlled by, or is under common control with, the party in question. For the purposes of this definition, "control (including controlled by and under common control with)", as used with respect to any corporation, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise. Every such sublease shall expressly subject the rights of the sublessee under such sublease to the rights of the Lessor in respect of the Items covered by such sublease in the event of the happening of an Event of Default.

18.2. Use. So long as (i) the Lessee shall not be in default under this Lease, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession of the Items and to the use of the Items by it or Dow Canada in the United States of America and Canada upon lines over which the Lessee or Dow Canada has or obtains trackage or other operating rights or over which railroad equipment of the Lessee or Dow Canada is regularly operated, and also to permit the use of the Items upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign or permit the assignment of any Item to service outside the United States of America and Canada. To the extent lawful, the Lessee may receive and retain compensation for such use from other railroads so using any of the Items.

SECTION 19. RIGHT OF FIRST REFUSAL; RENEWAL OPTIONS

19.1. Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Items to third parties within a period of one year after the expiration of the original or any extended term of this Lease, the Lessee shall be given 20 days' prior written notice of such intention prior to the expiration of such period. In the event that during such one-year period the Lessor shall receive a bona fide offer from another party unrelated to the Lessee to purchase the Items and the Lessor elects to sell the Items pursuant to such offer, the Lessor shall give prompt written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party to the Lessor. The Lessee shall have the sole right and option to purchase the Items for cash at the price at which the Items are proposed to be sold or under the other terms and conditions of payment offered by the other party. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 10 days of receipt of notice of the proposed sale from the Lessor specifying a date of purchase, which date shall not be later than 15 days after the date of delivery of such notice by the Lessee to the Lessor.

19.2. Renewal Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered

to the Lessor not less than 6 months nor more than 12 months prior to the end of the original term elect to extend the term of this Lease in respect of all (but not fewer than all) the Items in any Group of Items (as defined in § 12 hereof) then covered by this Lease, for one additional five-year period commencing on the scheduled expiration of the original term at a rental per Item equal to (a) 60% of the average semiannual rental rates in effect hereunder during the basic term of this Lease multiplied by (b) the Purchase Price thereof, payable in semiannual payments on each semiannual anniversary of the original term.

SECTION 20. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rent due hereunder shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 12-1/4% per annum on the overdue rentals or other obligations of the Lessee hereunder for the period of time during which they are overdue.

SECTION 21. MISCELLANEOUS

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

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

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

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

21.2. Right of Lessor To Perform. If the Lessee

shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made and all cost and expense (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest at the rate of 12-1/4% per annum.

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

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

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

21.6. Immunities; No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company, or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term in used in the Trust Agreement and this Lease is executed and delivered by said bank not in its own right but solely in the exercise

of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct, in the case of said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiaries on account of this Lease or on account of any representation, warranty, undertaking or agreement of the Lessor or the Beneficiaries, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee, the Vendor and by all persons claiming by, through or under either of them.

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

THE DOW CHEMICAL COMPANY,

by

_____
Assistant Treasurer

[Corporate Seal]

Attest:

_____

THE CONNECTICUT BANK AND TRUST COMPANY, as Lessor as aforesaid,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Treasurer of THE DOW CHEMICAL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE A TO LEASE

Type	Designation	Builder's Specifications	Builders Plant	Quantity	Road Numbers (Both Inclusive	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
Ethylene Glycol Cars	111-A-100W-1	Engineering Tank Car Data Sheet No. D-158, Revision "A" , Dated October 3, 1979	Trenton, Nova Scotia	95	CGBX 4300-4394	$Can. 64,000	$Can. 6,080,000	April-June 1980 and November 1980, F.O.B. at Builder's plant, Trenton, Nova Scotia
Caustic Soda Cars	111-A-100W-1	Engineering Tank Car Data Sheet No. D-158, Revision "A", Dated October 3, 1979	Trenton, Nova Scotia	100	CGBX 6205-6304	$Can. 59,000	$Can. 5,900,000	February-April 1980, F.O.B. at Builder's plant, Trenton, Nova Scotia
Vinyl Chloride Monomer Cars	105-A-300-W	Specification Sheet No. 106/7, Dated November 8, 1979	Sarnia, Ontario	90	DCLX 1125-1214	$Can. 71,000	$Can. 6,390,000	February-May and August-October 1980, at Oakville, Ontario
Plastic Hopper Cars	LO	Specification Sheet, Classification L 254, Dated October 27, 1978		57	DCLX 7040-7096	$Can. 67,000	$Can. 3,819,000	March-June 1980, at Oakville, Ontario

SCHEDULE B TO LEASE

Payment Date	Casualty Value Percentage	Termination Value Percentage
July 2, 1981	110.8510	
January 2, 1982	112.3190	
July 2, 1982	113.5690	
January 2, 1983	114.6290	
July 2, 1983	115.5350	
January 2, 1984	116.2570	
July 2, 1984	116.8270	
January 2, 1985	117.2210	
July 2, 1985	117.4680	
January 2, 1986	117.5460	
July 2, 1986	117.4810	
January 2, 1987	117.2570	
July 2, 1987	116.8960	
January 2, 1988	116.3830	
July 2, 1988	114.7540	114.0180
January 2, 1989	112.9530	112.1760
July 2, 1989	111.0000	110.1790
January 2, 1990	108.9180	108.0500
July 2, 1990	106.7140	105.7970
January 2, 1991	104.3880	103.4200
July 2, 1991	101.9420	100.9190
January 2, 1992	99.3804	98.3002
July 2, 1992	96.7033	95.5623
January 2, 1993	94.9174	93.7123
July 2, 1993	92.0216	90.7487
January 2, 1994	89.0239	87.6794
July 2, 1994	85.9214	84.5012
January 2, 1995	82.7240	81.2240
July 2, 1995	79.4275	77.8431
January 2, 1996	76.0436	74.3701
July 2, 1996	72.5638	70.7962
January 2, 1997	68.9983	67.1312
July 2, 1997	65.3348	63.3627
January 2, 1998	61.5813	59.4982
July 2, 1998	57.7254	55.5252
January 2, 1999	53.7915	51.4675
July 2, 1999	49.7997	47.3450
January 2, 2000	45.7875	43.1947
July 2, 2000	41.7254	38.9867
January 2, 2001	~~20.0000~~ 37.6561	[0]
In the event of a renewal:		
January 2, 2001	37.6561	34.7634
July 2, 2001	36.1983	33.1429
January 2, 2002	34.7566	31.5293
July 2, 2002	33.2834	29.8746
January 2, 2003	31.7639	28.1633
July 2, 2003	28.1765	26.3734
January 2, 2004	28.5387	24.5217
July 2, 2004	26.8288	22.5858
January 2, 2005	25.0639	20.5822
July 2, 2005	23.2222	18.4885
January 2, 2006	20.0000	[0]

SCHEDULE C TO LEASE

Certificate of Acceptance

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

I, the duly authorized representative of The Connecticut Bank and Trust Company (herein the "Lessor") and The Dow Chemical Company (herein the "Lessee"), for the purposes of the Conditional Sale Agreement dated as of January 2, 1980, between and Lessor and the Lease of Railroad Equipment dated January 2, 1980, between Lessee and Lessor, DO HEREBY CERTIFY that there has been inspected on behalf of the Lessee and the Lessor and found to be completed and marked in accordance with the said Conditional Sale Agreement and Lease and the applicable specifications, requirements and standards referred to in said Conditional Sale Agreement, and that there has been delivered to the Lessor at , and fully and finally accepted by me on behalf of the Lessee and the Lessor (both under the said Conditional Sale Agreement and said Lease), the following units of railroad equipment constructed by pursuant to said Conditional Sale Agreement:

Description	Quantity	Railroad No.

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

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

Dated: , 1980.

_____
Authorized Representative of
Lessor and Lessee

Builder:

[Hawker Siddleley Canada Ltd.]
or
[Procor Limited]

ANNEX D
to
Conditional Sale Agreements

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 2, 1980 (this "Assignment"), by and between THE CONNECTICUT BANK AND TRUST COMPANY, not individually but solely in its capacity as Owner Trustee (the "Lessor" or the "Vendee") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with City National Bank and First National Bank of Louisville (the "Beneficiaries"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof.

WHEREAS the Vendee is entering into separate Conditional Sale Agreements dated as of the date hereof (individually a "Conditional Sale Agreement" and collectively the "Security Documentation") with each of Hawker Siddeley Canada Ltd. and Procor Limited (the "Builders"), providing for the sale to the Vendee of such units of railroad equipment (the "Units") described in the Annexes B thereto as are delivered to and accepted by the Vendee thereunder;

WHEREAS the Lessor and The Dow Chemical Company (the "Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease"), providing for the leasing by the Lessor to the Lessee of the Units; and

WHEREAS in order to provide security for the obligations of the Lessor under the Security Documentation and as an inducement to the Vendor to invest in the Conditional Sale Indebtedness (as that term is defined in the Security Documentation), the Lessor agrees to assign to the Vendor for security purposes the Lessor's rights in, to and under the Lease;

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. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the Security Documentation, all the Lessor's right, title and interest, powers, privileges, and other benefits

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 Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, termination payment, indemnity, liquidated damages, or otherwise (the "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 Lessor is or may become entitled to do under the Lease; provided that Payments shall not include (a) supplemental rent payments payable pursuant to Paragraph 16 of the Participation Agreement, (b) additional rentals payable pursuant to the fourth sentence of Section 2.1 of the Lease,(c) any indemnity payable to the Lessor in its individual capacity or to the Beneficiaries (as defined in the Lease) under Section 6 or Section 8.2 of the Lease, or (d) all amounts paid pursuant to § 2.1 of the Lease on any rental payment date if, but only if, the Beneficiaries have made or caused the Lessor to make the payment of CSA Indebtedness and interest due on the immediately preceding December 30 or June 30, as the case may be, pursuant to clause (b) of the third paragraph of the Security Documentation, all of which shall be paid directly to the party to receive the same. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the Security Documentation, and, so long as no event of default shall have occurred and be continuing under the Security Documentation, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor, by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor. If the Vendor shall not receive any rental payment under Section 2 of the Lease when due, the Vendor shall forthwith notify the Lessor by telephone (confirmed in writing) or telegraph at the address set forth in the Lease; provided, however, that the failure of the Vendor so to notify the

Lessor shall not affect the obligations of the Lessor hereunder or under the Security Documentation, except that the Vendor may not declare an event of default under subparagraph (a) or (e) of Article 15 of the Security Documentation by reason of the failure of the Lessee to make any such rental payment which, pursuant to subparagraph (e) of Article 15 of the Security Documentation, would not constitute a default thereunder if the Lessor complies with the provisions thereof, unless such event of default is not remedied within 10 business days after notification is given as aforesaid.

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

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or 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 or enter into any agreement amending, modifying or terminating the Lease, and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise) to ask, require, demand, receive and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor 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 to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the Security Documentation, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and all taxes, claims, liens, charges or security interests (other than created by the Security Documentation) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the ownership of the Units or the transactions contemplated by the Security Documentation or the Lease (but including income taxes arising out of the receipt of the income and proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments equal or superior to the Vendor's interest therein, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect such interests of the Vendor.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law as reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. This Assignment shall be governed by the laws of the State of Connecticut, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, as shall be conferred by the laws of the several jurisdictions in which this Assignment shall be filed, recorded or deposited, or in which any unit of the Equipment shall be located, and any rights arising out of the markings of the units of Equipment.

10. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at its address set forth in Article 20 of the Security Documentation, or at such other address as the Vendor shall designate.

11. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no Event of Default under the Lease or event of default under the Security Documentation has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the Security Documentation, the Lessor may, so long as no event of default under the Security Documentation has occurred and is continuing, and the Lease has not been terminated, exercise or enforce, or seek to exercise or enforce or avail itself of, such rights, powers, privileges and remedies arising out of subparagraph (a) of Section 15.2 of the Lease; provided, however, that the Lessor shall not, without the prior written consent of the Vendor, seek to exercise or enforce any rights, powers, privileges and remedies arising out of subparagraph (b) of said Section 15.2.

12. Notwithstanding any other provision of this Assignment (including, but not limited to, any provision of the first paragraph of Paragraph 1 and Paragraph 3 hereof) (a) the terms of this Assignment shall not impose any obligations on the Lessor in addition to the obligations of the Lessor under the Lease or under the Security Documentation or in any way limit the effect of the last paragraph of Article 4 of the Security Documentation or Article 21 of the Security Documentation, and (b) so long as there is no event of default under the Security Documentation, and to the extent that the Vendor does not seek to receive and collect any Payments under the Lease in excess of the amounts required to discharge the obligations of the Lessor under the Security Documentation, the terms of this Assignment shall not limit or in any way affect the Lessor's right to receive and collect any Payments under the Lease in excess of the obligations of the Lessor under the Security Documentation, or empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Lessor shall continue to be empowered to ask, demand, sue for, collect and receive any and all of such excess amounts,

but shall not take any action under subparagraph (b) of Section 15.2 of the Lease without the written consent of the Vendor, and (c) each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said Bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Assignment is executed and delivered by said Bank solely in the exercise of its powers expressly conferred upon it as trustee under the Trust Agreement, and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said Bank, except for wilful misconduct or gross negligence in the case of said bank, or against the Beneficiaries under the Trust Agreement or on account of any representation, warranty, undertaking or agreement herein of the Lessor or the Beneficiaries, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

THE CONNECTICUT BANK AND TRUST COMPANY, as Owner Trustee as aforesaid,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

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

On this day of January 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

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

On this day of January 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), the lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all Payments (as defined in the Lease 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, as Agent (the "Vendor"), the assignee named in the Lease Assignment, by bank wire transfer of Federal funds by 11:00 a.m. Baltimore time to The Annapolis Banking and Trust Company, Main Street and Church Circle, Annapolis, Maryland, for credit to the Agent's Account No. 52076-1, with a request that The Annapolis Banking and Trust Company advise Mrs. K. M. Tollberg, Assistant Vice President, Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, that the funds are "RE: Dow 1/2/80 No. 1" (or at such other address as may be furnished in writing to the Lessee by the Vendor);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor;

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

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

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall

be deemed to be a contract under the laws of Michigan and, for all purposes, shall be construed in accordance with the laws of said State.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____

The foregoing Consent and Agreement is hereby accepted, as of the 2nd day of January 1980.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,

by

_____
Assistant Vice President