RECORDATION NO. 20805 FILED

AUG 6 '97 10-20AM

ALVORD AND ALVORD
ATTORNEYS AT LAW
918 SIXTEENTH STREET, N.W.
SUITE 200
WASHINGTON, D.C.
20006-2973

(202) 393-2266
FAX (202) 393-2156

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

RECORDATION NO. 20805-A,B,C,D FILED

AUG 6 '97 10-20AM

August 5, 1997

RECEIVED
SURFACE TRANSPORTATION BOARD
AUG 6 10 17 AM '97

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of an Equipment Lease Agreement, dated as of August 6, 1997, a primary document as defined in the Board's Rules for the Recordation of Documents and two (2) copies of each of the following secondary documents related thereto: a Lease Supplement, Trust Indenture and Security Agreement, an Indenture Supplement, and a Bill of Sale.

The names and addresses of the parties of the enclosed documents are:

Primary → Equipment Lease
and
Lease Supplement

Lessor: State Street Bank and Trust Company
Of Connecticut, N.A.
225 Asylum Street
Hartford, Connecticut 06103

Lessee: Nova Chemicals Inc.
690 Mechanic Street
Leominister, Massachusetts 01453

Trust Indenture
and
Indenture Supplement

Owner Trustee: State Street Bank and Trust Company
Of Connecticut, N.A.
225 Asylum Street
Hartford, Connecticut 06103

Indenture Trustee: The First National Bank of Chicago
One First National Plaza, Suite 0126
Chicago, Illinois 60670-0126

Bill of Sale

Seller: Nova RL Inc.
690 Mechanic Street
Leominister, Massachusetts 01453

Buyer: State Street Bank and Trust Company
Of Connecticut, N.A.
225 Asylum Street
Hartford, Connecticut 06103

A description of the railroad equipment covered by the enclosed documents is:

three hundred fifty (350) covered hopper railcars
NCIX 001412 through NCIX 001761

Also enclosed is a check in the amount of $120.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of each of the enclosed documents to the undersigned.

Very truly yours,

Robert W. Alvord

RWA/bg
Enclosures

RECORDATION NO. 20805 FILED

AUG 6 '97 10-20AM

EXECUTION COPY

EQUIPMENT LEASE AGREEMENT

Dated as of August 6, 1997

Between

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A.,
not in its individual capacity
but solely as Owner Trustee,
Lessor,

and

NOVA CHEMICALS INC.,
Lessee

Railroad Equipment

The right, title and interest of Lessor under this Lease and certain of the Rent due and to become due hereunder have been assigned as collateral security to and are subject to a security interest in favor of The First National Bank of Chicago, as Indenture Trustee under a Trust Indenture and Security Agreement dated as of the date hereof between said Indenture Trustee, as secured party, and Lessor, as debtor. Information concerning such security interest may be obtained from Indenture Trustee at its address provided for in Section 15.2 of this Lease. As further described in Section 23.10 of this Lease, to the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart other than Counterpart Number 1. This is not Counterpart Number 1.

This Lease was filed with the Surface Transportation Board on August 6, 1997, at __:__ p.m. Recordation No. _____, and deposited in the office of the Registrar General of Canada pursuant to Section 105 of the Canada Transportation Act on August 6, 1997, at _:__ p.m.

TABLE OF CONTENTS

		Page
1.	Definitions	1
2.	Lease of Equipment	1
3.	Purchase, Delivery and Acceptance	1
4.	Term of Agreement	1
	4.1. Term	1
	4.2. Voluntary Termination	2
	(a) Lessee's Right of Termination	2
	(b) Payment of Termination Value	2
	(c) Sale of Units	2
	(d) Lessor's Right to Retain Units	3
	(e) Lessee's Right of Rescission	3
5.	Payment of Rent	3
	5.1. Basic Rent	3
	5.2. Supplemental Rent	3
	5.3. Obligation to Pay Rent	4
	5.4. Adjustment of Basic Rent, Casualty Loss Values, Termination Values and Early Purchase Option Price	5
	(a) Bases for Adjustment	5
	(b) Computation of Changes	5
	(c) Limitations	5
	(d) Lessee Right of Termination	6
	(e) Manner of Payment	6
6.	Sublease and Assignment; Purchase and Renewal Options	6
	6.1. Sublease and Assignment	6
	(a) Sublease	6
	(b) Assignment	7
	(c) Sublessee's and Assignee's Right to Perform for Lessee	7
	(d) Lessee Primarily Liable	7
	6.2. Purchase Options	7
	(a) Generally	7
	(b) Material Adverse Tax Event	8
	(c) Payment of Purchase Price	8
	(d) Sale of Units	8
	(e) Lessee's Right of Rescission	8

Page

6.3. Renewal Option . . . 9
(a) Generally . . . 9
(b) Terms of Renewal . . . 9
(c) Lessee's Right of Rescission . . . 9
6.4. Fair Market Value and Fair Market Rental Value . . . 9

7. Insurance . . . 10
7.1. Generally . . . 10
7.2. Policies . . . 10
7.3. Reports . . . 11
7.4. Performance by Lessor . . . 11
7.5. Proceeds . . . 12
7.6. Separate Insurance . . . 12

8. Modifications . . . 12
8.1. Generally . . . 12
8.2. Required Modifications . . . 12
8.3. Severable Modifications . . . 12
(a) Lessee Property . . . 12
(b) Lessor Purchase Option . . . 13
8.4. Nonseverable Modifications . . . 13

9. Use, Maintenance and Operation . . . 13
9.1. Generally . . . 13
9.2. Compliance with Law . . . 14
9.3. Lessor's Right to Perform . . . 14
9.4. Inspection Rights . . . 14

10. Title . . . 15
10.1. Agreement of Lease . . . 15
10.2. Filings . . . 15

11. Risk of Loss; Casualty Occurrence . . . 15
11.1. Lessee's Risk of Loss and Damage . . . 15
11.2. Casualty Occurrence . . . 15
11.3. Purchase of Unit. . . . 16
11.4. Replacement of Unit. . . . 16
11.5. Allocation of Proceeds. . . . 17
(a) Purchase of Unit . . . 17
(b) Replacement of Unit . . . 18

12. Disclaimer of Warranties and Representations . . . 18

13. Identification Marks . . . 19

Page

14. Liens, Encumbrances and Rights of Others 20

15. Notices 20
15.1. Of Particular Events 20
15.2. Procedures 20

16. Return of Leased Equipment 21
16.1. Return and Storage 21
16.2. Exercise of Remedies 21
16.3. Condition 22
16.4. Holdover Rent 22
16.5. Nondelivery 22
16.6. Specific Performance 22
16.7. Lessor Appointed as Lessee's Agent 22

17. Events of Default 23

18. Remedies 24
18.1. Generally 24
18.2. Enforcement Expenses 26
18.3. Remedies Unrestricted 26
18.4. Waivers by Lessor 26

19. Assignment 27
19.1. Generally 27
19.2. By Lessor 27
(a) Generally 27
(b) To Indenture Trustee 27

20. Quiet Enjoyment 27

21. Further Assurances; Affiliate Creditors 27
21.1. Further Assurances 27
21.2. Affiliate Creditors 27

22. Lessor's Right to Perform for Lessee 28

23. General Provisions 28
23.1. Governing Law 28
23.2. Severability 28
23.3. Headings and Table of Contents 28
23.4. Successors and Assigns 28
23.5. True Lease 28
23.6. Amendments and Waivers 29
23.7. Limitation of Lessor's Liability 29

Page

23.8. Complete Agreement 29
23.9. Payments on Business Days 29
23.10. Execution in Counterparts 29
23.11. Jurisdiction 29
23.12. Waiver of Jury Trial. 30

Schedule A - Equipment Lease Agreement Equipment Descriptions
Schedule B - Equipment Lease Agreement Rent Factors
Schedule C - Equipment Lease Agreement Termination Values
Schedule D - Equipment Lease Agreement Pricing Assumptions
Schedule E - Equipment Lease Agreement Casualty Loss Values

Exhibit A - Certificate of Delivery and Acceptance
Exhibit B - Lease Supplement
Exhibit C - Purchase Agreement Assignment

EQUIPMENT LEASE AGREEMENT

This **EQUIPMENT LEASE AGREEMENT** dated as of August 6, 1997, is between STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A., a national banking association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement ("Lessor"), and NOVA CHEMICALS INC., a Delaware corporation ("Lessee");

W I T N E S S E T H:

1. Definitions:

Unless the context otherwise requires, the terms in the Glossary attached as Exhibit B to the Participation Agreement dated as of the date hereof among Lessor, Lessee, Lessee Parent, Seller, Trustor, Trustor Parent, Indenture Trustee and Note Purchasers (the "Participation Agreement") shall have the meanings set forth therein for all purposes of this Lease.

2. Lease of Equipment:

Subject to all the terms, conditions and covenants of this Lease, Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, the Units.

3. Purchase, Delivery and Acceptance:

Subject to the terms and conditions set forth in the Participation Agreement, (a) Lessor agrees to purchase each Unit from Seller at the Lessor's Cost for such Unit and to lease such Unit to Lessee pursuant to this Lease, in each case on the Closing Date as provided in Section 2 of the Participation Agreement, and (b) Lessee agrees to lease such Unit from Lessor hereunder on the Closing Date. The aforesaid delivery and acceptance of each Unit hereunder shall be conclusively evidenced by the execution and delivery by Lessee to Lessor of a Certificate of Delivery and Acceptance covering such Unit substantially in the form attached hereto as Exhibit A, which Certificate shall be acknowledged by Lessor.

4. Term of Agreement:

4.1. Term. The term of this Lease as to each Unit shall commence on the Closing Date and, subject to Lessee's renewal option as provided in Section 6.3, shall end on the Expiration Date unless sooner terminated pursuant to Section 4.2, Section 6.2(a)(iii), Section 6.2(b), Section 11.3 or Section 18.

4.2. **Voluntary Termination.**

(a) **Lessee's Right of Termination.** Provided that no Material Default or Event of Default has occurred and is continuing, on one occasion Lessee may terminate this Lease with respect to (i) the Units in any Minimum Lot, if the number of Units remaining subject to this Lease would be at least a Minimum Lot, or (ii) all Units then subject to this Lease, as of any Termination Date upon written notice to Lessor not less than one hundred eighty (180) nor more than three hundred sixty (360) days prior to such Termination Date if Lessee determines in good faith that such Units are obsolete in, or surplus to, the business of Lessee, such determination being evidenced by a certificate of an officer of Lessee accompanying such written notice. Prior to the Termination Date, Lessee shall act as Lessor's non-exclusive agent and use its best efforts to solicit bids for the purchase of such Units in cash in U.S. Dollars. At least five (5) Business Days prior to such Termination Date, Lessee shall certify to Lessor the amount of each such cash bid and the name and address of each Person submitting a bid. No bidder shall be an Affiliate, employee or director of Lessee or Lessee Parent or any Person from whom Lessee or any such Affiliate intends thereafter to lease or acquire such Units. Trustor or Lessor may, but are not obligated to, solicit such bids, and Trustor and Lessor may submit bids for the purchase of such Units.

(b) **Payment of Termination Value.** On such Termination Date, Lessee shall pay (i) to Lessor (A) the amount, if any, by which the aggregate Termination Value of all such Units computed as of such Termination Date exceeds the net sale price after deduction from such sale price of all of Lessor's and Trustor's reasonable out-of-pocket costs and expenses in connection with any such sale, including, without limitation, sales or transfer taxes and brokerage fees, (B) the Basic Rent, if payable in arrears, due on such Termination Date and (C) the amount of the Make Whole Premium Amount, if any, payable in accordance with Section 2.14 of the Indenture and (ii) to all Persons entitled thereto all Supplemental Rent due on or before such Termination Date. Whether or not a sale occurs and whether or not the net sale price exceeds the Termination Value of the Units as to which a sale occurs, Lessee shall pay each Participant's reasonable out-of-pocket costs and expenses in connection with any such sale or proposed termination, including, without limitation, fees and disbursements of counsel, to the extent that such costs and expenses are not included in the computation of the amount paid by Lessee pursuant to clause (i) above.

(c) **Sale of Units.** Subject to Section 4.2(d), Lessor shall sell such Units to the highest bidder without recourse or warranty other than as to the absence of Lessor Liens. Such sale shall take place on such Termination Date at which time, and upon receipt by Lessor in immediately available funds of the full sale price of such Units and the payment of the amounts, if any, to be paid by Lessee as provided in Section 4.2(b), Lessor shall transfer to the purchaser all of Lessor's right, title and interest in and to such Units (without warranties other than as to the absence of Lessor Liens), and all obligations of Lessee under this Lease with respect to such Units after such Termination Date shall cease except for Lessee's obligation to pay Supplemental Rent in respect of such Units and such other obligations which, by the terms hereof, expressly survive the termination of this Lease. Lessee shall promptly notify Lessor in writing if no such sale takes place, and such notice

shall be considered as an election by Lessee to rescind such sale pursuant to Section 4.2(e) notwithstanding the failure of Lessee to provide a notice thereof in accordance with Section 4.2(e).

(d) **Lessor's Right to Retain Units.** No later than forty-five (45) days after Lessor receives written notice of Lessee's election to terminate this Lease with respect to any Units, Lessor may notify Lessee that it intends to retain such Units on the Termination Date, in which case Lessor shall be obligated to prepay the Notes as provided in Section 2.14 of the Indenture, and Lessee shall discontinue its efforts to sell such Units and shall return such Units to Lessor on such Termination Date as provided in Section 16. If, on the Termination Date, Lessor has paid all amounts due pursuant to Section 2.14 of the Indenture with respect to termination of this Lease for such Units, all obligations of Lessee under this Lease with respect to such Units after such Termination Date shall cease except for Lessee's obligation to pay (i) the Basic Rent, if payable in arrears, due on such Termination Date and (ii) Supplemental Rent in respect of such Units and such other obligations which, by the terms hereof, expressly survive the termination of this Lease.

(e) **Lessee's Right of Rescission.** Notwithstanding the foregoing, Lessee may elect by written notice to Lessor at least sixty (60) days prior to such Termination Date to rescind its notice of termination with respect to all of the Units included in such notice of termination as to which the net sale price would not exceed the Termination Value thereof (provided, however, that if such notice of termination is not rescinded with respect to all Units, the Units remaining subject to the notice of termination constitute a Minimum Lot), whereupon this Lease will continue in full force and effect with respect to the Units for which notice of termination is rescinded as though no notice of termination had been given by Lessee; provided, however, that if this Lease is not terminated with respect to any Unit, Lessee shall have thereafter the right to terminate this Lease with respect to such Units as provided in this Section 4.2 as of any subsequent Termination Date, and provided, further, that such election to rescind may not be exercised more than once.

5. Payment of Rent:

5.1. Basic Rent. Lessee hereby agrees to pay Basic Rent to Lessor for each Unit on each Rent Payment Date for such Unit. Schedule B hereto indicates whether an installment of Basic Rent is payable in advance or in arrears. Lessor and Lessee agree that for tax purposes each installment of Basic Rent that is indicated as payable in advance will be allocated for tax purposes over the six-month period beginning on the Rent Payment Date on which such advance payment is scheduled to be made, and each installment of Basic Rent that is indicated as payable in arrears will be accrued over the six-month period ending on the Basic Rent Payment Date on which such arrears payment is scheduled to be made.

5.2. Supplemental Rent. Lessee agrees to pay, as Supplemental Rent, any and all amounts, liabilities and obligations (other than Basic Rent) which Lessee assumes or agrees to pay to Lessor or any other Person hereunder or under the Participation Agreement or any other Operative Agreement, including, without limitation, payments of Casualty Loss Value, Termination Value, Early Purchase Option Price, Fair Market Rental Value, Fair

Market Value, other payments provided for in Section 4.2, Section 6.2, Section 11 and Section 18, indemnities provided for in Section 5 of the Participation Agreement and any Make Whole Premium Amount provided for in Section 2.12 or Section 2.14 of the Indenture, promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor or its assigns shall have all rights, powers and remedies provided for herein or by law or equity or otherwise as in the case of nonpayment of Basic Rent. Lessee will also pay on demand to Lessor, and any other Participant to which Rent is payable, as Supplemental Rent, to the extent permitted by applicable law, interest at the Default Rate on any part of any installment of Basic Rent, any payment of Casualty Loss Value and any payment of Termination Value not paid when due for the period for which the same shall be overdue and unpaid and on any other payment of Supplemental Rent not paid when demanded by Lessor or such other Participant from the date demanded until the same shall be paid.

5.3. **Obligation to Pay Rent.** This is a net lease, and Lessee's obligation to pay all Basic Rent and Supplemental Rent payable hereunder shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation: (a) any setoff, counterclaim, recoupment, deduction, defense or other right which Lessee may have against Lessor or against any other Participant, Manufacturer, Seller or anyone else for any reason whatsoever; (b) any defect in the title or other ownership interests, condition, design, operation, merchantability or fitness for use of any Unit; (c) the existence of any liens, encumbrances or rights of others whatsoever with respect to any Unit, whether or not resulting from claims against the Lessor not related to the ownership of the Leased Equipment; (d) any loss or destruction of, or damage to, any Unit or any interruption or cessation in the use or possession thereof for any reason whatsoever and of whatever duration; (e) the invalidity or unenforceability of the Lease or any other infirmity therein or any lack of power or authority of Lessor or Lessee to enter into the Lease; (f) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee or Lessor; or (g) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If for any reason whatsoever this Lease is terminated in whole or in part by operation of law or otherwise except as specifically provided herein, Lessee nonetheless agrees to pay to Lessor an amount equal to each payment of Basic Rent at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part, it being the intention of the parties hereto that Rent and other amounts payable by Lessee hereunder with respect to a Unit shall continue to be payable in all events unless the obligation to pay the same is terminated pursuant to the express terms hereof or until such Unit has been returned to the possession of Lessor pursuant to Section 16, and Lessee has paid to Lessor all amounts due and owing hereunder and under the other Operative Agreements. For all purposes of this Lease, no Unit shall be deemed to have been returned to Lessor's possession until all of Lessee's obligations with respect to the return, transportation and storage of such Unit have been performed. Lessee hereby waives, to the extent permitted by applicable law, 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 this Lease, except in accordance with the express terms hereof. Each payment of Basic Rent or Supplemental Rent made by Lessee shall be final, and Lessee will not seek to recover all or any part of

such payments from Lessor or any other person for any reason whatsoever. This provision, however, shall not be construed to waive Lessee's right of action, if any, against Lessor or any other person for damages incurred by Lessee on account of any breach by Lessor or such other person of any provision of this Lease or any other agreement relating or not relating hereto.

5.4. Adjustment of Basic Rent, Casualty Loss Values, Termination Values and Early Purchase Option Price.

(a) **Bases for Adjustment.** Basic Rent, Casualty Loss Values, Termination Values and Early Purchase Option Price shall be adjusted upward or downward (i) on or before the Closing Date to reflect any changes in the Assumptions as to the Units being delivered on the Closing Date and (ii) at any time after the Closing Date to reflect (A) a refinancing of the Notes and (B) the actual amount of the Transaction Expenses paid by Trustor being more or less than stated in the Assumptions. In connection with any such adjustment, the remaining amortization schedule of the Notes shall be revised on the terms and conditions set forth in this Section 5.4 and Section 2.17 of the Indenture. In connection with any adjustment resulting from a change in the Assumptions, the Equity Commitment and the Purchase Commitment shall also be adjusted.

(b) **Computation of Changes.** Each adjustment shall be calculated to preserve Trustor's Economic Return while minimizing the net present value (i) as of the Closing Date, of all Basic Rent for the Units, using a discount rate equal to the interest rate on the Notes, and (ii) as of the date of any refinancing of the Notes, of all Basic Rent due after such date, using a discount rate equal to the interest rate applicable to the refinancing. Trustor shall compute each such adjustment based on the same assumptions and methodology (including tax constraints) that were used in calculating the Equity Commitment, the Purchase Commitment, the Basic Rent, Casualty Loss Values, Termination Values and Early Purchase Option Price. In no event shall any such adjustment, in the judgment of Trustor, result in this Lease being treated as a "disqualified leaseback or long-term agreement" within the meaning of Section 467 of the Code and any regulations applicable to such adjustment, or otherwise cause any adverse tax consequences to Trustor. Lessee shall notify Lessor within ten (10) days of receipt of any proposed adjustment if Lessee does not agree therewith and, if requested by Lessee, such adjustment shall be verified on a confidential basis by a nationally recognized certified public accounting firm selected by Lessee and reasonably acceptable to Lessor. If the verification reveals a miscalculation by Trustor that resulted in an increase in the net present value of the rent calculated as of the Closing Date by more than 0.10% of the Lessor's Cost of the Units, such verification shall be at Lessor's expense. Otherwise, such verification shall be at Lessee's expense. Any adjustment made pursuant to this Section 5.4 shall be evidenced by the execution and delivery by Lessor and Lessee of a supplement to this Lease and, if the Notes are being reamortized, the other documents referred to in Section 2.17 of the Indenture.

(c) **Limitations.** Anything contained in the Participation Agreement, this Lease or any other Operative Document to the contrary notwithstanding, (i) each aggregate installment of Basic Rent payable hereunder for the Leased Equipment, whether or not

adjusted in accordance with this Section 5.4, shall be in an amount at least sufficient to pay in full, on the Rent Payment Date (or the next succeeding Business Day, as applicable) on which such installment of Basic Rent is due, any payments then required to be made on account of the principal of and interest on the Notes then outstanding in accordance with the amortization schedule and payment terms therefor set forth in the Notes and (ii) the aggregate Casualty Loss Value, Termination Value and Early Purchase Option Price of the Leased Equipment payable on any date in accordance with the terms hereof, together with Basic Rent, if any, payable in arrears and then due and payable, shall under all circumstances and in any event at least equal an amount not less than the then outstanding principal amount of the Notes plus accrued and unpaid interest thereon to such date (or the next succeeding Business Day, as applicable).

(d) **Lessee Right of Termination.** If any adjustment caused by a Tax Law Change enacted on or before the Closing Date results in an increase in the net present value of the Basic Rent of any Units delivered on the Closing Date, calculated as of the Closing Date, of more than 1.50% of the Lessor's Cost of the Units, Lessee may elect prior to the Closing not to enter into this Lease as to such Units and have no further obligation hereunder with respect to such Units other than the obligation to pay Transaction Expenses as set forth in Section 9 of the Participation Agreement.

(e) **Manner of Payment.** Lessee shall pay all Rent due to Lessor at its Corporate Trust Office, ABA No. 011900445, Account No. 0067548290, Attention: Corporate Trust Administration (or such other account at such other financial institution in New York City or Hartford, Connecticut, as Lessor may so specify from time to time to Lessee at least ten (10) Business Days before the date of any payment) in U.S. Dollars prior to 11:00 a.m. New York time by wire transfer in immediately available funds on the due date thereof; provided, however, that so long as the Indenture shall not have been discharged pursuant to the terms thereof, Lessor hereby directs, and Lessee agrees, that all Rent (excluding Excepted Payments) payable to Lessor shall be paid directly to Indenture Trustee at the times and in the type of funds specified in this Section 5.4(e) at its office set forth in Schedule A to the Participation Agreement or at such other location in the United States of America as the Indenture Trustee may otherwise direct.

6. Sublease and Assignment; Purchase and Renewal Options:

6.1. Sublease and Assignment.

(a) **Sublease.** If no Material Default or Event of Default has occurred and is continuing, Lessee may sublease any Unit to a user incorporated in the United States and not subject to any bankruptcy or insolvency proceedings; provided, however, that there shall at no one time be more than seven (7) such sublessees. Each such sublease (i) shall by its express terms be subject and subordinate to the terms and conditions of this Lease and the rights and interests of Lessor hereunder, (ii) shall not extend beyond the Expiration Date or any extension thereof as to which Lessee has exercised its option pursuant to the provisions of Section 6.3, (iii) shall not contain terms that are inconsistent with the terms of this Lease (including, without limitation, terms dealing with use, maintenance and operation of the

Leased Equipment, and Lessor's inspection rights and repossession rights and other remedies upon an Event of Default), (iv) shall require the sublessee to maintain accidental pollution insurance coverage if such coverage is appropriate under prudent business practices or required by law given the character of the use and operation of the Units by such sublessee, and (v) shall contain a restriction for the benefit of Lessor against any further sub-subleasing of any Unit. Lessee shall notify Lessor and furnish copies to Lessor, within thirty (30) days of execution thereof, of any sublease with an original term of one (1) year or longer.

(b) **Assignment.** If no Material Default or Event of Default has occurred and is continuing, Lessee may assign all but not less than all of its rights under this Lease to a user incorporated in the United States and not subject to any bankruptcy or insolvency proceedings. Such assignment shall by its express terms be subject and subordinate to the terms and conditions of this Lease and the rights and interests of Lessor hereunder.

(c) **Sublessee's and Assignee's Right to Perform for Lessee.** The performance of any obligation of Lessee hereunder by a permitted sublessee or permitted assignee shall constitute performance by Lessee of such obligation, even if such obligation is stated herein to be a direct obligation of Lessee. Lessee may assign to a permitted assignee or permit a permitted sublessee the right to exercise any right of Lessee hereunder.

(d) **Lessee Primarily Liable.** No such sublease or assignment shall in any way relieve Lessee from any obligations under this Lease or any other Operative Agreement as to which Lessee shall remain primarily liable to the same extent as if there were no such sublease or assignment, and Lessee hereby waives any rights it may now have or hereafter acquire to avoid any such obligation by reason of such sublease or assignment or any circumstances arising from such sublease or assignment.

6.2. **Purchase Options.**

(a) **Generally.** If no Material Default or Event of Default has occurred and is continuing, upon not less than one hundred eighty (180) nor more than three hundred sixty (360) days' prior written notice, Lessee shall be entitled to purchase:

(i) not less than a Minimum Lot on the Expiration Date at a purchase price equal to the Fair Market Value of such Units at the time of such purchase;

(ii) all of the Leased Equipment on the last day of any Renewal Term at a purchase price equal to the Fair Market Value of such Units at the time of such purchase; and

(iii) all of the Leased Equipment, subject to the provisions of the Purchase Option Letter, on the Early Purchase Option Date at a purchase price equal to (A) 57.22% of the Lessor's Cost of such Leased Equipment plus (B) the amount of the Make Whole Premium Amount, if any, payable in accordance with Section 2.14 of the Indenture and less (C) the principal amount of the Notes, if any, assumed by

Lessee in accordance with Section 2.16 of the Indenture (the "Early Purchase Option Price").

(b) **Material Adverse Tax Event.** If no Event of Default has occurred and is continuing, and if a Material Adverse Tax Event has occurred with respect to at least two hundred fifty (250) Units, upon not less than sixty (60) days' prior written notice, Lessee may purchase on any Rent Payment Date such Units at a purchase price equal to (i) the greater of (A) the Fair Market Value of such Units at the time of such purchase and (B) the Termination Value of such Units at the time of such purchase plus (ii) the amount of the Make Whole Premium Amount, if any, payable in accordance with Section 2.14 of the Indenture and less (iii) the principal amount of the Notes, if any, assumed by Lessee in accordance with Section 2.16 of the Indenture.

(c) **Payment of Purchase Price.** On the sale date of a Unit, Lessee shall pay (i) to Lessor the purchase price of such Unit as set forth in the applicable provisions of Section 6.2(a) or (b), as the case may be, (ii) to Lessor the Basic Rent, if payable in arrears, due on such date and (iii) to all Persons entitled thereto all Supplemental Rent due on or before such sale date.

(d) **Sale of Units.** On the sale date, and upon receipt by Lessor in immediately available funds of the full purchase price of such Units as set forth in the applicable provisions of Section 6.2(a) or (b), as the case may be, and the payment of the amounts, if any, to be paid by Lessee as provided in Section 6.2(c), Lessor shall transfer to Lessee all of Lessor's right, title and interest in and to such Units and, upon request of Lessee, execute and deliver to, or upon the order of, Lessee a bill of sale for such Units (without warranties other than as to the absence of Lessor Liens), and all obligations of Lessee under this Lease with respect to such Units after such sale date shall cease except for Lessee's obligation to pay Supplemental Rent in respect of such Units and such other obligations which, by the terms hereof, expressly survive the termination of this Lease.

(e) **Lessee's Right of Rescission.** Notwithstanding the foregoing, if Lessee has given notice of its intention to purchase any Units pursuant to Section 6.2(a)(i), 6.2(a)(ii) or Section 6.2(b), at any time within ten (10) days after the determination of Fair Market Value pursuant to Section 6.4, but in no event later than one hundred and eighty (180) days prior to the Expiration Date or the end of any Renewal Term, as applicable, Lessee may elect by written notice to rescind such notice to purchase (i) with respect to any of the Units included in such notice of purchase pursuant to Section 6.2(a)(i) or Section 6.2(a)(ii) (provided, however, that if such notice of purchase pursuant to is not rescinded with respect to all Units, the Units remaining subject to the notice of purchase constitute a Minimum Lot) and (ii) with respect to any of the Units included in such notice of purchase pursuant to Section 6.2(b), whereupon Lessee shall pay Lessor's reasonable out-of-pocket costs and expenses incurred by reason of the notice to purchase which was rescinded.

6.3. **Renewal Option.**

(a) **Generally.** If no Material Default or Event of Default has occurred and is continuing, upon not less than one hundred eighty (180) nor more than three hundred sixty (360) days' prior written notice, Lessee may renew this Lease with respect to Units constituting not less than a Minimum Lot (i) at the Expiration Date for a term of five (5) years and (ii) at the end of the first renewal term, if any, for an additional term of five (5) years.

(b) **Terms of Renewal.** The rent payment terms of a renewal at the Expiration Date shall provide that Basic Rent shall be payable in semi-annual payments in arrears on each Rent Payment Date in an amount equal to the lesser of the aggregate Fair Market Rental Value of the Units in such Minimum Lot and the average Basic Rent of such Units during the Initial Term, and the rent payment terms of a renewal at the end of any first renewal term shall provide that Basic Rent shall be payable in semi-annual payments in arrears on each Rent Payment Date in an amount equal to the aggregate Fair Market Rental Value of the such Units. The other terms and conditions of any such renewal shall provide that (i) the Casualty Loss Value for each Unit shall be determined on a monthly basis and shall be equal to the greater of the Termination Value of such Unit and the estimated Fair Market Value of such Unit as of the beginning of such Renewal Term and reduced on a straight line basis over the then remaining useful life of such Unit to the greater of 20% of the Lessor's Cost of such Unit and the then projected Fair Market Value of such Unit as of the end of such Renewal Term and (ii) shall otherwise be the same as provided herein.

(c) **Lessee's Right of Rescission.** Notwithstanding the foregoing, if Lessee has given notice of its intention to renew this Lease as to any Units pursuant to Section 6.3(a), at any time within ten (10) days after the determination of Fair Market Value pursuant to Section 6.4, but in no event later than one hundred and eighty (180) days prior to the Expiration Date or the end of the first Renewal Term, as applicable, Lessee may elect by written notice to rescind such notice to renew this Lease with respect to all or any of the Units included in such notice of renewal (provided, however, that if such notice of renewal is not rescinded with respect to all Units, the Units remaining subject to the notice of renewal constitute at least a Minimum Lot) whereupon Lessee shall pay Lessor's reasonable out-of-pocket costs and expenses incurred by reason of the notice to renew which was rescinded.

6.4. **Fair Market Value and Fair Market Rental Value.** For purposes of this Section 6, Section 8.3(b) and Section 16.5, the following procedure shall be followed for determining the Fair Market Value or Fair Market Rental Value of any property: If either party hereto gives written notice to the other requesting determination of such value, the parties shall attempt to agree upon such value, and, failing such agreement within twenty (20) days after the giving of such notice, the parties shall consult for the purpose of appointing one qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within thirty (30) days after such notice has been given, each party shall appoint an independent appraiser (who shall not be a manufacturer of such property) within thirty-five (35) days after such notice is given, and the two appraisers so appointed shall

within forty (40) days after such notice is given appoint a third independent appraiser (who shall not be a manufacturer of such property). If no such third appraiser is so appointed within forty (40) days after such notice is given, either party may apply to the American Arbitration Association (or any successor thereto) for the appointment of an appraiser and both parties shall be bound by any appointment made by such Association. Each appraiser appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Value or Fair Market Rental Value, as the case may be, of the property in question within thirty (30) days after his or her appointment. If the parties have appointed a single appraiser, his or her determination of value shall be final and binding as the Fair Market Value or the Fair Market Rental Value, as the case may be. If three appraisers have been appointed, the values determined by the three appraisers shall be averaged, the determination which differs the most from such average shall be disregarded, the remaining two determinations shall be averaged, and such average shall be final and binding as the Fair Market Value or the Fair Market Rental Value, as the case may be. If the parties have appointed a single appraiser, Lessee shall bear all expenses of such appraiser, and if three appraisers have been appointed, Lessor and Lessee shall equally bear all expenses of such appraisers; provided, however, that if the appraisal is requested in connection with a rescinded notice to purchase or renew given pursuant to Section 6, Lessee shall bear all expenses of such appraisers.

7. **Insurance:**

7.1. Generally. Lessee will, at all times prior to the return of the Leased Equipment to Lessor, at its own expense, carry and maintain or cause to be carried and maintained, including at Lessee's option through a self-insurance program, (a) property insurance with respect to the Leased Equipment and (b) public liability insurance with respect to third party personal injury and third party property damage, in each case, with such deductibles, in such amounts, against such risks and with such insurance companies of established good reputation and good financial condition as is consistent with prudent business practices, and in any event with no greater deductibles and at least comparable in amounts and against risks insured against by Lessee with respect to equipment it owns or leases that is similar in nature to the Leased Equipment; provided, however, that such public liability insurance shall have a combined single limit of not less than $75,000,000 per occurrence and, in the aggregate, subject to a deductible of not more than $10,000,000. Lessee may change such initial deductible if the new deductible complies with the foregoing provisions and Lessee first obtains the consent of Lessor, which consent will not be unreasonably withheld or delayed.

7.2. Policies. Subject to the terms and conditions of the policies, any insurance carried in accordance with this Section 7 shall, to the extent commercially available:

(a) require thirty (30) days' prior written notice to Lessor and Indenture Trustee of cancellation or material change in coverage;

(b) as to public liability insurance, provide that each Participant will be an unnamed additional insured with respect to and only to the extent of Lessee's obligations to indemnify and hold harmless such unnamed additional insureds from and against claims arising from third party personal injury or third party property damage;

(c) as to public liability insurance, provide that such insurance is primary without right of contribution from any other insurance which might otherwise be available to the insured party;

(d) to the extent Lessee maintains property insurance, as to such insurance, provide that in the event of any loss payment under a policy, the insurer shall waive any rights of subrogation against the insured party and shall waive any setoff or counterclaim or any other deduction whether by attachment or otherwise;

(e) as to public liability insurance, include a cross-liability and severability of interest provision providing that (i) inasmuch as the policies are written to cover more than one insured, all terms and conditions, insuring agreements and endorsements, with the exception of limits of liability, shall operate in the same manner as if there were a separate policy covering each insured, and (ii) that any breach of the policy by any insured shall not affect the protection given by the policy to any other insured;

(f) not require any Participant to pay premiums in connection with such insurance; and

(g) if Lessee carries property insurance with a deductible less than $10,000,000, such insurance shall as to such insurance name Lessor and Indenture Trustee as loss payees as their interests may appear in Section 7.5.

7.3. Reports. On or prior to the Closing Date and thereafter no later than the fifth (5th) Business Day following the expiration of any policy maintained pursuant to this Section 7, Lessee shall deliver to Lessor and Indenture Trustee certificates of insurance issued by the insurers under policies required pursuant to this Section 7 or by an authorized insurance broker evidencing the insurance maintained pursuant to this Section 7; provided, however, that a delay in the delivery of any certificate shall not constitute a breach of this Lease if Lessee delivers to Lessor and Indenture Trustee either (a) a certified copy of a binder with respect thereto or (b) a certificate of a Responsible Officer containing a description of such insurance and, in either case, delivers the formal certificate upon receipt thereof. The certificate shall clearly indicate that each Participant is an unnamed additional insured or include the policy provision that provides for Participants to be unnamed additional insureds.

7.4. Performance by Lessor. If Lessee fails to maintain insurance as herein provided, Lessor may at its option, but without obligation, provide such insurance and, in such event, Lessee shall, upon demand from time to time, reimburse Lessor for the cost

thereof together with interest on such cost at the Default Rate computed from the date of payment of such cost to the date of reimbursement. Lessor shall give Lessee prompt written notice of any such insurance.

7.5. Proceeds. If no Material Default or Event of Default has occurred and is continuing, all property insurance proceeds, if there are any, shall be paid to Lessee, otherwise all such proceeds shall be paid to Indenture Trustee so long as the Lien of the Indenture has not been released and thereafter shall be paid to Lessor, in each case to be held as security for the performance by Lessee of its obligations under this Lease and, so long as the lien of the Indenture has not been released, applied in accordance with the terms of the Indenture, and to the extent any amount remains, such amount shall be promptly paid to Lessee when such Material Default or Event of Default is no longer continuing.

7.6. Separate Insurance. Nothing in this Section 7 shall be construed to prohibit any Participant from providing at its own expense property insurance or public liability insurance with respect to the Leased Equipment or its interest therein; provided, however, that any insurance so maintained shall not provide for or result in a reduction of the coverage or the amounts payable under any of the insurance required to be maintained by Lessee under this Section 7.

8. Modifications:

8.1. Generally. From time to time during the term of this Lease, Lessee may acquire and install, at Lessee's sole cost and expense, Modifications to a Unit that do not (a) impair the value, utility, residual value or remaining useful life (each determined as of the original delivery date of such Unit hereunder, and taking into account ordinary wear and tear) such Unit would have had, had such alteration, modification, removal or addition not occurred, and assuming such Unit was maintained in the condition required by the terms of this Lease, (b) cause such Unit to constitute "limited use property" within the meaning of Revenue Procedures 75-21 and 79-48 or (c) materially change the nature, use, type or capacity of such Unit. Without Lessor's prior written consent, which consent will not be unreasonably withheld, Lessee may not make any Modification to a Unit that would cause a change in the classification of the Unit by the Association of American Railroads.

8.2. Required Modifications. Lessee agrees to make, at Lessee's sole cost and expense and without offset for Rent due hereunder, all Required Modifications to the Leased Equipment.

8.3. Severable Modifications.

(a) Lessee Property. If (i) Lessee installs, at its own expense, any Modification to any Unit which (A) is not a Required Modification, (B) is in addition to, and not in replacement of or substitution for, any part incorporated or installed in or attached or added to such Unit on the Closing Date, (C) is readily removable without causing material damage to such Unit and (D) does not impair the value, utility, residual value or remaining useful life such Unit would have had at such time, had such Modification not occurred,

assuming such Unit was maintained in the condition required by the terms of this Lease and (ii) no Event of Default has occurred and is continuing, Lessee shall own such Modification and may remove such Modification before such Unit is returned to Lessor. Lessee shall repair all damage to such Unit resulting from such installation and removal so as to restore such Unit to the condition such Unit would have had at such time, had such Modification not occurred, assuming such Unit was maintained in the condition required by the terms of this Lease. Lessee need not remove any such Modification if the retention of such Modification will not impair the value, utility, residual value or remaining useful life of such Unit in the possession of Lessor. Any Modification not so removed shall, upon its return, become the property of Lessor and title thereto shall vest thereupon in Lessor.

(b) Lessor Purchase Option. At least one hundred twenty (120) days, prior to the return of any Unit, Lessee shall notify Lessor in writing of any Modification that Lessee owns pursuant to this Section 8.3 and intends to remove prior to such return. Lessor may purchase any such Modification from Lessee at the Fair Market Value thereof by giving Lessee written notice thereof at least thirty (30) days prior to the scheduled return of such Unit. If Lessor does not so notify Lessee with respect to any Modification, Lessee may remove such Modification in accordance with the preceding paragraph.

8.4. Nonseverable Modifications. Lessee shall not remove from any Unit any Modification that is not readily removable without causing material damage to such Unit or any Required Modification. Any such Modification shall become the property of Lessor and title thereto shall immediately vest in Lessor.

9. Use, Maintenance and Operation:

9.1. Generally. Lessee shall not use, or permit the use of, (a) any Unit for the transportation of commodities that are corrosive, toxic, more dense or more abrasive on the linings of the Leased Equipment than plastic pellets and plastic resin, (b) any Unit in any location outside of the continental United States, Canada and Mexico or (c) more than 10% of the Units in Mexico at any one time. Lessee, at its own expense, will maintain, service, test and repair each Unit and from time to time make or cause to be made all necessary restorations thereto as are consistent with the prudent practice of reputable chemical shippers and receivers, but in any event to the same extent that Lessee would, in the prudent management of its properties, maintain, service and repair comparable equipment if owned or leased by Lessee and to the extent necessary that such Unit will remain (i) in good operating condition and in the same condition as when delivered, ordinary wear and tear excepted, (ii) in accordance with Manufacturer's warranties, (iii) in accordance with the terms or conditions of any insurance policy maintained by Lessee pursuant to Section 7 and (iv) in compliance with Section 9.2. Any replacements made by Lessee to or upon any Unit shall have a value, utility, residual value and remaining useful life at least equal to the replaced parts and shall be considered accessions to such Unit, title thereto shall be immediately vested in Lessor and such replacement shall become part of the Trust Indenture Estate, without cost or expense to Lessor, but the replaced parts shall no longer be the property of Lessor.

9.2. Compliance with Law. Lessee shall comply with the maintenance and operation standards under the Interchange Rules of the Association of American Railroads and the Federal Railroad Administration and all laws, rules, regulations, requirements and orders of all governmental authorities having jurisdiction with respect to the use, maintenance, condition and operation of each Unit (regardless of upon which person such laws, rules, regulations, requirements or orders shall, by their terms, be nominally imposed), unless Lessee is contesting the validity thereof in good faith and by appropriate proceedings, but only so long as such proceedings (a) do not involve any material risk of the sale, forfeiture or loss of such Unit, or any part thereof or interest therein, (b) do not result in, or involve any material risk of resulting in, the creation of any lien on or with respect to such Unit, or any part thereof or interest therein, which is not a Permitted Lien and (c) do not involve any risk of the imposition of civil or criminal fines or penalties on any Participant. Lessee shall maintain all records, logs and other materials required by any governmental authority having jurisdiction to be maintained in respect of any Unit, regardless of upon which person any such requirements shall, by their terms, be nominally imposed, and such records, logs and other materials shall be the property of Lessor. Lessee, at its own expense, will procure and pay for all permits, franchises, inspections and licenses necessary or appropriate in connection with any Unit and any Modification thereto.

9.3. Lessor's Right to Perform. Lessor is not required to maintain, service or repair, or to make any repair, restoration, replacement, renewal, addition, improvement, alteration or modification of any nature or description with respect to, any Unit, or, except to the extent specifically provided herein, to incur any such cost or expense in connection with this Lease. If Lessee fails or is unable to perform maintenance and repairs as provided herein, Lessor may, but need not, perform the same, and Lessee shall forthwith reimburse Lessor, as Supplemental Rent, for all costs and expenses incurred by Lessor in performing the same.

9.4. Inspection Rights. Upon three (3) Business Day's prior written or telephonic request of Lessor or Trustor or, during the time the Indenture is in effect, Indenture Trustee or any Note Holder, Lessee shall provide to such Person as to each Unit the actual location of or transportation information about such Unit, indicating its point of departure, destination, route and scheduled date of arrival at such destination. Each Participant may inspect the Leased Equipment (a) at its own expense, (b) through no more than five (5) of its agents and employees, (c) not more than one (1) time during any three (3) month period, (d) upon two (2) Business Days' written or telephonic request and (e) at reasonable times during normal business hours, and shall have the right of access to Lessee's premises where any Unit is located for the purposes of so inspecting such Unit and its applicable maintenance records and observing its use and operation; provided, however, that (i) such restrictions shall not apply if a Default or Event of Default has occurred and is continuing, (ii) during the period of such Default or Event of Default, any such inspection shall be at Lessee's expense and (iii) unless Lessee has previously irrevocably exercised one of its options under Section 6 to purchase and/or renew this Lease with respect to a Unit, Lessor may inspect such Unit during the last twelve (12) months of the Term for such Unit as often as Lessor reasonably determines, subject, however, to the other terms and conditions of this Section 9.4.

10. Title:

10.1. Agreement of Lease. Lessor and Lessee agree that this is an agreement of lease only and nothing herein contained shall be construed as conveying to Lessee any right, title or interest in or to the Leased Equipment except as a lessee. Lessor and Lessee intend that the Leased Equipment is and shall remain personal property and each of them agrees that it will not take any action which would cause any Unit to lose such character. The Leased Equipment shall remain personal property regardless of the degree or manner of its attachment to realty, and title thereto shall remain exclusively in Lessor subject to the security interest of Indenture Trustee. Lessee shall keep the Leased Equipment free from any and all liens, encumbrances and claims (except Permitted Liens) in accordance with Section 14 and shall not do or permit any act or thing whereby Lessor's title or rights may be encumbered or impaired.

10.2. Filings. Lessee agrees that it will execute, acknowledge, deliver, file, register and record whenever required any and all amendments or supplements to this Lease or to the Indenture, any financing statements (including any precautionary financing statements), continuation statements and similar instruments, and any and all further instruments required by law or reasonably requested by Lessor or Indenture Trustee for the purpose of protecting Lessor's title to, or Indenture Trustee's security interest in, any Unit. Lessee shall pay all costs, charges and expenses incident to any such delivery, filing, registration and recording or incident to the taking of the actions required by this Section 10.2.

11. Risk of Loss; Casualty Occurrence:

11.1. Lessee's Risk of Loss and Damage. During the term of this Lease and for so long thereafter as the Leased Equipment remains in the possession of Lessee, Lessee shall bear the risk of and all responsibility for loss or damage to the Leased Equipment and, except as otherwise expressly provided herein, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Unit. Lessee agrees to indemnify and hold Lessor harmless against loss or damage to the Leased Equipment caused by fire, lightning, tornadoes, hurricanes, wind storm, water damage, explosion, smoke and smudge, aircraft and motor vehicle damage, strikes, riots, civil commotion, vandalism, malicious mischief, burglary and theft and all other risks to the Leased Equipment.

11.2. Casualty Occurrence. If any Unit

(a) is or becomes lost for a period of more than one hundred eighty (180) consecutive days, stolen or destroyed,

(b) suffers an actual or constructive total loss based on an insurance settlement or, in Lessee's reasonable good faith judgment, is irreparably damaged or contaminated or damaged or worn out beyond economic repair, from any cause whatsoever,

(c) is permanently returned to Manufacturer pursuant to any indemnity provision, or

(d) has its title taken, condemned or requisitioned or, if resulting in loss of possession by Lessee for a period of more than one hundred eighty (180) consecutive days or for a stated period which exceeds the then remaining term of this Lease with respect to such Unit, is taken or requisitioned by condemnation or otherwise prior to the actual redelivery of such Unit to Lessor

(any such event herein called a "Casualty Occurrence"), Lessee shall inform Lessor of such Casualty Occurrence and the date thereof promptly, but in any event within thirty (30) days from the Casualty Determination Date, by delivering to Lessor a certificate of a Responsible Officer certifying such Casualty Occurrence and shall, on or before the Casualty Loss Payment Date for such Unit, at its option, either (i) purchase such Unit pursuant to Section 11.3 or (ii) subject to satisfaction of the conditions set forth in Section 11.4, replace such Unit.

11.3. Purchase of Unit. If Lessee elects to purchase a Unit that has suffered a Casualty Occurrence, Lessee shall purchase such Unit from Lessor on its Casualty Loss Payment Date for a purchase price equal to its then Casualty Loss Value. On such Casualty Loss Payment Date, Lessee shall pay to Lessor in immediately available funds (a) an amount equal to the Casualty Loss Value of such Unit, (b) the Basic Rent, if any, due on such Casualty Loss Payment Date and payable in arrears and (c) all Supplemental Rent with respect to such Unit due and unpaid. Upon the making of such payments by Lessee in respect to any Unit, (i) Basic Rent with respect to such Unit shall cease to accrue as of the date of such payment, (ii) the term of this Lease as to such Unit shall terminate, (iii) Lessee shall be entitled to recover possession of such Unit and (iv) Lessor shall transfer to Lessee all of Lessor's right, title and interest in and to such Unit and, upon request of Lessee, execute and deliver to, or upon the order of, Lessee a bill of sale for such Unit (without warranties other than as to the absence of Lessor Liens).

11.4. Replacement of Unit. If Lessee elects to replace a Unit that has suffered a Casualty Occurrence, and in lieu of purchasing such Unit pursuant to Section 11.3, Lessee may convey or cause to be conveyed to Lessor to be leased to Lessee hereunder a replacement railcar (a) of the same car type, (b) of the same or a later year of manufacture as the Unit replaced, (c) free and clear of all Liens and (d) having a Fair Market Value, utility, remaining economic useful life, residual value and condition at least equal to the Unit so replaced, assuming such Unit was in the condition required to be maintained by the terms of this Lease immediately prior to such Casualty Occurrence (a "Replacement Unit").

At its own cost and expense, Lessee shall, prior to or concurrently with such replacement:

(i) furnish Lessor with a full warranty bill of sale conveying to Lessor the Replacement Unit;

(ii) furnish Lessor with an opinion of tax counsel selected by Trustor and reasonably acceptable to Lessee and in form and substance satisfactory to Trustor to the effect that there are no adverse tax consequences to Lessor or Trustor from such replacement;

(iii) deliver to Indenture Trustee and Lessor for execution an Indenture Supplement and a Lease Supplement duly executed by Lessee, subjecting such Replacement Unit to the Lien of the Indenture and to this Lease;

(iv) upon such execution and redelivery of such Indenture Supplement and Lease Supplement to Lessee, (A) file the same with the Board pursuant to 49 U.S.C. § 11301, as amended, and deliver to Lessor and Indenture Trustee an opinion of Special Board Counsel as to such filing with the Board and the perfection and priority of the Lien of the Indenture in such Replacement Unit and (B) deposit the same with the Registrar General of Canada, cause notice of such deposit to be forthwith given in The Canada Gazette, each pursuant to Section 105 of the Canada Transportation Act, and deliver to Lessor and Indenture Trustee an opinion of Special Canadian Counsel as to such deposit and notice and the perfection and priority of the Lien of the Indenture in such Replacement Unit; and

(v) cause such additional Uniform Commercial Code filings to be made as are necessary or appropriate to perfect the right, title and interest of Lessor and Indenture Trustee in such Replacement Unit and deliver to Lessor and Indenture Trustee an opinion of counsel reasonably satisfactory to Lessor and Indenture Trustee as to such filings, if any, and the perfection and priority of the Lien of the Indenture in such Replacement Unit.

For all purposes of this Lease, upon full compliance with the terms of this Section 11.4 and passage of title in such Replacement Unit to Lessor, (1) such Replacement Unit shall be deemed to be part of the property leased hereunder and shall be deemed to be a Unit, (2) with respect to the Unit which has suffered the Casualty Occurrence (as is being replaced by such Replacement Unit), (a) Lessor shall transfer to Lessee all of Lessor's right, title and interest in and to such Units and, upon request of Lessee, execute and deliver to, or upon the order of, Lessee a bill of sale for such Unit (without warranties other than as to the absence of Lessor Liens) and (b) Lessee shall own such Unit free and clear of all claims of Lessor, Indenture Trustee or any other Person claiming through Lessor, and shall have the unrestricted right to dispose of such Unit and retain any amounts arising from such disposition.

11.5. Allocation of Proceeds. Payments on account of a Casualty Occurrence with respect to any Unit received by Lessor, Lessee or any sublessee other than proceeds from insurance maintained by Lessee shall be applied as follows:

(a) Purchase of Unit. If Lessee has elected to purchase such Unit pursuant to Section 11.3, such payments shall be paid: first, to Lessor in payment of the portion, if any, of the amounts due from Lessee pursuant to Section 11.3 that remain unpaid;

second, to Lessee in reimbursement of the portion, if any, of the amounts due from Lessee pursuant to Section 11.3 that have been paid; and third, to Lessor and Lessee as their respective interests may appear based on the relative value of Lessee's leasehold interest in such Unit and Lessor's ownership interest in such Unit; provided, however, that if a Material Default or an Event of Default has occurred and is continuing, the full amount of such payment remaining after the application thereof pursuant to the first clause of this Section 11.5(a) shall be paid to Lessor, to be held as security for the performance by Lessee of its obligations under this Lease and, so long as the Lien of the Indenture has not been released, applied in accordance with the terms of the Indenture and, to the extent any amount remains, such amount shall be promptly applied pursuant to the second and third clauses of this Section 11.5(a) when such Material Default or Event of Default is no longer continuing; and

(b) **Replacement of Unit.** If Lessee has elected to replace such Unit pursuant to Section 11.4, such payments, including, without limitation, any third party payment paid upon a Casualty Occurrence, shall be retained by Lessor and, so long as no Material Default or Event of Default has occurred and is continuing (in which event, such amount shall be retained by Lessor to be held as security for the performance by Lessee of its obligations under this Lease and, so long as the Lien of the Indenture has not been released, applied in accordance with the terms of the Indenture and, to the extent any amount remains, such amount shall be promptly applied pursuant to the clause of this sentence following this parenthetical when such Material Default or Event of Default is no longer continuing), paid over to Lessee upon receipt by Lessor of a certificate of a Responsible Officer of Lessee to the effect that such Unit has been replaced in compliance with Section 11.4.

12. Disclaimer of Warranties and Representations:

LESSEE ACKNOWLEDGES THAT (a) EACH UNIT IS OF THE DESIGN AND MANUFACTURE SELECTED BY LESSEE, (b) EACH UNIT IS SUITABLE FOR LESSEE'S PURPOSES AND (c) NEITHER LESSOR NOR ANY OTHER PARTICIPANT IS A MANUFACTURER OR DEALER IN SUCH PROPERTY. LESSEE ACKNOWLEDGES THAT LESSOR LEASES THE LEASED EQUIPMENT AS-IS, WHERE-IS, WITH ALL FAULTS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, BY ANY PARTICIPANT, AND EACH PARTICIPANT EXPRESSLY DISCLAIMS ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO (i) THE DESIGN, OPERATION OR CONDITION OF THE UNITS, (ii) THE VALUE OR MERCHANTABILITY OF THE UNITS, (iii) THE FITNESS OF THE UNITS FOR ANY PARTICULAR USE OR PURPOSE, (iv) THE COMPLIANCE OF ANY UNIT (OR PART THEREOF) WITH ANY APPLICABLE LAWS, (v) LESSOR'S TITLE TO ANY UNIT, OR (vi) ANY OTHER MATTER WHATSOEVER WITH RESPECT TO ANY UNIT, IT BEING AGREED THAT ALL SUCH RISKS, AS AMONG THE PARTICIPANTS AND LESSEE, ARE TO BE BORNE BY LESSEE. Notwithstanding the foregoing, Lessor hereby represents and warrants that on the Closing Date, (A) Lessor shall have received whatever rights, title and interests in the Units being delivered on the Closing

Date as are conveyed to it by Seller and (B) each such Unit shall be free of Lessor Liens. Lessee agrees that the only other guarantees or warranties made with respect to any such Unit are those made by the Manufacturer thereof and Lessee and Lessor agree that they shall cooperate at Lessee's sole expense in enforcing such guarantees and warranties when such action is necessary. So long as no Event of Default has occurred and is continuing, Lessor hereby assigns to Lessee, for and during the term of this Lease, any applicable Manufacturer warranty issued on or applicable to any such Unit and assigned to Lessor pursuant to the Purchase Agreement Assignment, and Lessor hereby authorizes Lessee during the term of this Lease to obtain, at Lessee's sole expense, any and all services, warranties or amounts to be used to repair any such Unit (and such amounts shall be used by Lessee to repair such Unit) furnished in connection therewith by Manufacturer; provided, however, that at any time that an Event of Default has occurred and is continuing, Lessor may terminate such authority and assignment and may assert and enforce, at Lessee's sole expense, such claims and rights. THE PROVISIONS OF THIS SECTION 12 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, BY PARTICIPANTS WITH RESPECT TO THE UNITS, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OF ANY APPLICABLE JURISDICTION OR ANY OTHER APPLICABLE LAW, NOW OR HEREAFTER IN EFFECT.

13. Identification Marks:

Lessee shall cause each Unit to be kept numbered with the identification number set forth in Exhibit A and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT" or other appropriate words designated by Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's title and Indenture Trustee's security interest in such Unit, the rights of the Lessor under this Lease and the Purchase Agreement Assignment and the rights of the Indenture Trustee under the Indenture. Lessee shall replace promptly any such words that are removed, obliterated, defaced or destroyed. Lessee shall not change the identification number of any Unit unless and until (a) a statement of new number or numbers to be substituted therefor has been filed with Lessor and filed and deposited by Lessee in all public offices where this Lease or a memorandum thereof or the Purchase Agreement Assignment or a memorandum thereof respecting such Unit has been filed and deposited and (b) Lessee has furnished Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, such filing and deposit will protect Lessor's interests in such Units and no filing, deposit or giving of notice with or to any other federal, state or local government or agency thereof is necessary to protect the interests of Lessor in such Units. The Units may be lettered with the names or initials or other insignia customarily used by Lessee or any Affiliates. Except as provided herein, Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

14. Liens, Encumbrances and Rights of Others:

Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, attachment, charge, encumbrance or right of others whatsoever on or with respect to any of the Leased Equipment, title thereto or any interest therein except Permitted Liens. Lessee will promptly notify Lessor in writing of any mortgage, pledge, lien, attachment, charge, encumbrance or right of others which arises and is not excepted above at any time on or with respect to any of the Leased Equipment, title thereto or any interest therein and will promptly, at Lessee's expense, cause any of the same to be bonded (in an amount and by Persons reasonably satisfactory to Lessor) or duly discharged, dismissed or removed as soon as possible, but in any event within fifteen (15) days after the existence of the same first becomes known to Lessee.

15. Notices:

15.1. Of Particular Events. Lessee shall promptly notify Lessor and Trustor and, for so long as the Indenture shall be in effect, Indenture Trustee in writing:

(a) of the amount of any delinquent taxes assessed or charged to Lessor, Lessee or any sublessee or assignee under any law now or hereafter in force, of which Lessee has had notice, that may reasonably subject any of the Leased Equipment to the hazard of seizure or lien;

(b) of any claim, demand, action or dispute that involves the rights of Lessor, Lessee or any sublessee or assignee hereunder, or that involves the interpretation of any of the provisions of this Lease that directly or indirectly affects the tax or other liability or rights of either Lessor, Lessee or any sublessee or assignee, in each case of which Lessee has had notice;

(c) within thirty (30) days from the date of notice thereof of any claim or legal proceeding alleging that Lessor, Trustor or Indenture Trustee is liable in any amount or alleging that Lessee is liable in an amount reasonably expected to be in excess of $5,000,000 as a result of any accident in which it is alleged that any of the Leased Equipment is directly or indirectly involved; and

(d) within five (5) days from the date Lessee has knowledge thereof of any incident involving any of the Leased Equipment in which there occurs a discharge, dispersal, release or escape of pollutants into or upon land or other real estate, the atmosphere, any water course or body of water, whether above or below the ground, or otherwise into the environment that has resulted or may result in the requirement that Lessee report such incident to any governmental agency.

15.2. Procedures. All notices herein required (a) shall be given not later than the date required hereunder, (b) shall be signed by an appropriate officer or other representative, (c) shall be addressed as provided below and (d) shall be considered as properly given (i) if delivered in person, (ii) if sent by a nationally recognized overnight

delivery service, (iii) if overnight delivery services are not readily available, if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested or (iv) if sent by prepaid telegram or facsimile copy and receipt thereof confirmed. Notice so given shall be effective upon receipt by the addressee, provided, however, that if any notice is tendered to an addressee and the delivery thereof is refused by such addressee, such notice shall be effective upon such tender. For the purposes of notice, the addresses of the parties shall be as set forth in Schedule A to the Participation Agreement. Any Person may change its address for notice hereunder to any other location within the continental United States by giving thirty (30) days' prior notice to Lessor and Lessee.

16. Return of Leased Equipment:

16.1. Return and Storage. At the end of the Term for any Unit, if Lessee does not exercise its purchase or renewal option under Section 6 with respect to such Unit, Lessee shall either, as directed by Lessor by notice to Lessee not less than sixty (60) days prior to the end of such Term, (i) at Lessee's sole cost and expense and as designated by Lessor in such notice, deliver possession of such Unit to Lessor on or prior to the end of such Term at one of Lessee's plant sites in the contiguous forty-eight (48) states or at any interchange within two hundred fifty (250) miles of an existing Lessee plant site, or if no such plant site exists, at any interchange within two hundred fifty (250) miles of Chicago, Illinois (a "Redelivery Site") or (ii) put such Unit in storage on behalf of Lessor and deliver possession of such Unit to Lessor at the designated Redelivery Site at the end of such storage period. If Lessor elects to store such Unit, Lessee shall, at its own cost and expense, store such Unit for a period not exceeding ninety (90) days after the end of such Term, during which period the Lessee shall be responsible for loss of or damage to such Unit in accordance with the terms of this Lease. If requested by Lessor, Lessee shall store such Unit for up to an additional ninety (90) day period, during which additional period Lessor shall be responsible for loss of or damage to such Unit and shall reimburse Lessee for all of Lessee's actual and documented costs and expenses incurred in connection with such additional storage. Upon not less than twenty (20) days' prior written notice from Lessor, Lessee shall deliver possession of a stored Unit to Lessor at its designated Redelivery Site. Lessee shall not be obligated to move any such Unit out of storage more than once at the request of Lessor. During any such storage period, Lessee will permit Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such Unit, to inspect the same, accompanied by a representative of Lessee; provided, however, that Lessee shall not be liable, except in the case of its negligence or willful misconduct, for any injury to, or the death of, any Person exercising, either on behalf of Lessor or any prospective purchaser or user, the rights of inspection granted under this sentence.

16.2. Exercise of Remedies. Notwithstanding the terms and conditions of Section 16.1, if this Lease has been terminated pursuant to Section 18, (i) a Redelivery Site may be any of Lessee's plant sites or any interchange, in each case in Canada or the continental United States, as selected by Lessor, (ii) the storage period for which Lessee is liable for risk of loss and all costs and expenses shall be of unlimited duration and (iii)

Lessee shall be obligated to move any Unit in and out of storage as often as Lessor may request.

16.3. Condition. Upon the return of any Unit of Leased Equipment pursuant to Section 16.1, Lessee covenants that such Unit shall be (a) free and clear of all Liens other than Lessor Liens and (b) in the condition required by Section 9. Each Unit when returned shall be free from accumulations or deposits from the commodities transported during the Term and scrubbed clean and free of hazardous substances.

16.4. Holdover Rent. If, despite its best efforts, Lessee is unable to return a Unit, Lessee shall pay to Lessor, as liquidated damages and not as a penalty, for each day that a Unit is not returned to Lessor or put into storage at the expiration of the Term as provided in Section 16.1, holdover rent in an amount equal to 125% of the daily equivalent of the average Basic Rent during the Initial Term of such Unit. The provision for such payment shall not abrogate the Lessor's right under this Section 16 to have such Unit returned to it hereunder, and nothing contained herein shall limit in any way Lessor's right to exercise any other remedy pursuant to Section 18 as a result of Lessee's failure to use its best efforts to return any Unit when and as required.

16.5. Nondelivery. If, despite its best efforts, the Lessee is unable to return any Unit to Lessor or deliver such Unit into storage within ninety (90) days after expiration of the Term for such Unit, Lessee may at its option declare a Casualty Occurrence with respect to such Unit and pay to Lessor the greater of the Fair Market Value and the Casualty Loss Value for such Unit. Upon payment of such amount and all other Rent due hereunder, Lessor shall transfer to Lessee all of Lessor's right, title and interest in and to such Unit and, upon request of Lessee, execute and deliver to, or upon the order of, Lessee a bill of sale for such Unit (without warranties other than as to the absence of Lessor Liens).

16.6. Specific Performance. The delivery and storage of the Leased Equipment as provided in this Section 16 are the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants so to deliver and store the Leased Equipment.

16.7. Lessor Appointed as Lessee's Agent. Without in any way limiting the obligations of Lessee under the foregoing provisions of this Section 16, Lessee hereby irrevocably appoints Lessor as the agent and attorney of Lessee, with full power and authority, at any time while Lessee is obligated to deliver possession of any Unit to Lessor pursuant to Section 16.1, to demand and take possession of such Unit in the name and on behalf of Lessee from whomsoever shall be at the time in possession of such Unit.

17. **Events of Default:**

The following events shall constitute Events of Default hereunder:

(a) Lessee fails to make any payment of Basic Rent, Casualty Loss Value, Termination Value, Early Purchase Option Price, Fair Market Value, Fair Market Rental Value or Make Whole Premium Amount within five (5) Business Days after such payment is due; or

(b) (i) Lessee fails to make any other payment of Supplemental Rent (other than a payment under the Tax Indemnity Agreement unless Trustor has given Lessee written notice that such failure constitutes an Event of Default) within twenty (20) days after the earlier to occur of (A) actual knowledge thereof by a Responsible Officer of Lessee or (B) notice to Lessee from any Participant that such payment is overdue or (ii) Lessee fails to perform or observe any covenant, condition or agreement to be performed or observed by it under Section 3 of the Tax Indemnity Agreement and Trustor has given Lessee written notice that such failure constitutes an Event of Default; or

(c) Lessee fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under any other Operative Agreement (other than with respect to the Tax Indemnity Agreement) and such failure continues unremedied for a period of thirty (30) days after the earlier to occur of (A) actual knowledge thereof by a Responsible Officer of Lessee or (B) notice thereof to Lessee by any Participant; provided, however, that Lessee shall have up to ninety (90) days from the earlier to occur of such actual knowledge or such notice to remedy such failure if (i) a remedy is possible, (ii) such additional period is reasonably required with diligence to effect such remedy and (iii) Lessee is diligently pursuing such remedy; or

(d) Any representation or warranty that (i) is made herein or in any other Operative Agreement (other than the Tax Indemnity Agreement) by Lessee, Lessee Parent, Seller or any Affiliate Creditor or in any certificate furnished to any Participant in connection herewith or therewith, (ii) proves to be incorrect in any material respect when made and (iii) if a remedy is possible, continues unremedied for a period of thirty (30) days after the earlier to occur of (A) actual knowledge thereof by a Responsible Officer of the applicable Lessee Party or (B) notice thereof by any Participant to the applicable Lessee Party; or

(e) The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of Lessee or Lessee Parent in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal, state or foreign bankruptcy, insolvency or other similar law or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Lessee or Lessee Parent or for all or substantially all of its property, or ordering the winding-up or liquidation of its affairs and, in the case of any such decree, the continuance of such decree unstayed and in effect for a period of ninety (90) consecutive days; or

(f) The commencement by Lessee or Lessee Parent of a voluntary case under the Federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable Federal, state or foreign bankruptcy, insolvency or other similar law or the consent by Lessee or Lessee Parent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, or sequestrator (or other similar official) of Lessee or Lessee Parent or for all or substantially all of its property, or the making by either of any general assignment for the benefit of creditors, or Lessee or Lessee Parent shall take any corporate action to authorize any of the foregoing; or

(g) Lessee fails to maintain insurance as described in this Lease; or

(h) Lessee ceases to be a Subsidiary of Lessee Parent; or

(i) Lessee Parent fails to perform or observe any covenant, condition or agreement to be performed or observed by it under the Support Agreement or, if then in effect, the Lessee Parent Guarantee, and such failure continues unremedied after the expiration of any permitted grace period; or

(j) The Support Agreement or, if then in effect, the Lessee Parent Guarantee, at any time ceases to be in full force and effect, or Lessee Parent at any time contests the application or enforceability of any provisions thereof; or

(k) Lessee or any Affiliate Creditor fails to perform or observe any covenant, term, condition or agreement to be performed or observed by it under a Subordination Agreement, and such failure continues unremedied after the expiration of any permitted grace period; or

(l) Any Subordination Agreement ceases to be in full force and effect, or any Affiliate Creditor at any time contests the application or enforceability of any provisions thereof.

18. Remedies:

18.1. Generally. If at any time an Event of Default has occurred and is continuing, Lessor may, at its option, declare this Lease to be in default, and at any time thereafter Lessor may do one or more of the following with respect to any Unit as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with, any mandatory requirements of applicable law then in effect:

(a) Lessor may proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including attorneys' fees and disbursements.

(b) Lessor may by notice in writing to Lessee, terminate this Lease, whereupon all rights of Lessee to the use of the Leased Equipment shall absolutely cease and terminate as though this Lease was never made, but Lessee shall remain liable as hereinafter

provided; and thereupon, at Lessee's sole cost and expense, Lessee shall return promptly any Unit or the Leased Equipment to Lessor at the location(s), in the condition and otherwise in accordance with all of the terms of Section 9 and Section 16, or Lessor, at its option, may enter upon the premises where such Unit or the Leased Equipment is located, if this can be done without breach of the peace, and take immediate possession of and remove such Unit or the Leased Equipment by summary proceedings or otherwise, all without liability to Lessee for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by and reasonably necessary to such taking or otherwise.

(c) With or without taking possession thereof, Lessor may sell any Unit or the Leased Equipment at public or private sale, with notice to Lessee but with or without advertisement as Lessor may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle any Unit or the Leased Equipment as Lessor in its sole discretion may determine, all free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto except to the extent required by paragraph (e) below in the event Lessor elects to exercise its rights under said paragraph in lieu of its rights under paragraph (d) below.

(d) Whether or not Lessor has exercised, or thereafter at any time exercises, any of its rights under paragraph (a), (b) or (c) above, Lessor, with respect to any Unit, by written notice to Lessee specifying a payment date not earlier than five (5) days from the date of such notice ("Payment Date"), may cause Lessee to pay to Lessor on the Payment Date, as liquidated damages for loss of a bargain and not as a penalty, (A) any unpaid Supplemental Rent, (B) any unpaid Basic Rent with respect to such Unit due up to and including the Rent Payment Date (or the date which would have been such Rent Payment Date but for the termination of this Lease) immediately preceding the Payment Date and (C) whichever of the following amounts Lessor, in it sole discretion, shall specify in such notice (together with interest on such amounts at the Default Rate from the Casualty Loss Payment Date immediately preceding the Payment Date to the date of actual payment):

(i) an amount equal to the Casualty Loss Value of such Unit, such Casualty Loss Value to be computed as of the Casualty Loss Payment Date immediately preceding the Payment Date; provided, however, that Lessor shall only be entitled to such amount without deduction if Lessor elects payment under this clause (i) and Lessee fails to return such Unit in accordance with the terms of paragraph (b) above; or

(ii) an amount equal to the excess, if any, of the Casualty Loss Value of such Unit computed as of the Casualty Loss Payment Date immediately preceding the Payment Date over the Fair Market Rental Value of such Unit for the remainder of the Initial Term or any Renewal Term of such Unit after discounting such Fair Market Rental Value at a discount rate equal to the Debt Rate on such periodic basis as Basic Rent is payable hereunder to the net present value as of the Payment Date; or

(iii) an amount equal to the excess, if any, of the Casualty Loss Value of such Unit, computed as of the Casualty Loss Payment Date immediately preceding the Payment Date, over the Fair Market Value of such Unit as of the Payment Date.

(e) If Lessor sells any Unit pursuant to paragraph (c) above, Lessor, in lieu of exercising its rights under paragraph (d) above with respect to such Unit, may elect to cause Lessee to pay Lessor, as liquidated damages for loss of a bargain and not as a penalty, (i) any unpaid Supplemental Rent, (ii) any unpaid Basic Rent with respect to such Unit due up to and, if payable in arrears, including the Rent Payment Date (or the date which would have been such Rent Payment Date but for the termination of this Lease) immediately preceding the date of such sale and (iii) the amount of any deficiency between the net proceeds of such sale and the Casualty Loss Value of such Unit computed as of the date of such sale, together with interest at the Default Rate on the amount of such deficiency from the date of such sale until the date of actual payment.

For purposes of this Section 18.1, the Fair Market Rental Value and Fair Market Value of any Unit shall be determined by an independent expert appraiser selected by Lessor, the fees and disbursements of which shall be borne by Lessee.

18.2. **Enforcement Expenses.** In addition, Lessee shall be liable for any and all unpaid Supplemental Rent due hereunder before, after or during the exercise of any of the foregoing remedies and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit in accordance with the terms hereof, the sale of any Unit as provided in this Section 18 or the placing of such Unit in the condition required hereunder.

18.3. **Remedies Unrestricted.** Except as otherwise expressly provided above, no remedy referred to in this Section 18 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. The exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all such other remedies. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to initiate any judicial proceedings in connection with the Leased Equipment or to give any notice or to sell, lease or otherwise use any Unit in mitigation of Lessor's damages as set forth in this Section 18 or which may otherwise limit or modify any of Lessor's rights or remedies under this Section 18.

18.4. **Waivers by Lessor.** Lessor's failure at any time to require strict performance by Lessee of any of the provisions hereof shall not waive or diminish Lessor's right thereafter to demand strict compliance therewith or with any other provision. Waiver of any default shall not waive any other default. Failure by Lessor to collect the Rent reserved herein or any other sums as and when the same fall due, or to exercise its right to take possession of the Leased Equipment as herein provided, shall not waive or in any way

affect Lessor's rights under this Lease or extend the time for making said payments. None of the conditions or provisions of this Lease shall be held to have been waived by any act or knowledge of Lessor, its agents or employees, but only by an instrument in writing signed by an officer of Lessor and delivered to Lessee.

19. Assignment:

19.1. Generally. This Lease shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

19.2. By Lessor.

(a) Generally. Except as provided in Section 19.2(b), Lessor shall not assign any of its right, title or interest in this Lease or the Leased Equipment (i) prior to the first anniversary of the Closing Date or (ii) thereafter without the prior written consent of Lessee.

(b) To Indenture Trustee. Lessee hereby acknowledges that this Lease has been assigned to Indenture Trustee pursuant to the Indenture, that Lessee has received an executed copy of the Indenture and that Lessee consents to said assignment, subject to the rights of Lessee under this Lease.

20. Quiet Enjoyment:

Lessor covenants that Lessee and its permitted successors and assigns, so long as no Event of Default has occurred and is continuing hereunder, may and shall peaceably and quietly have, hold, possess, use and enjoy the Leased Equipment as provided in this Lease without suit, molestation or interruption by Lessor, by reason of Lessor's acts or by anyone claiming through Lessor.

21. Further Assurances; Affiliate Creditors:

21.1. Further Assurances. Lessee hereby agrees promptly and duly to execute and deliver to Lessor and Indenture Trustee such further documents and assurances and take such further action as the same may from time to time reasonably request in order more effectively to carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor and Indenture Trustee hereunder and under the Indenture.

21.2. Affiliate Creditors. Lessee hereby agrees (a) to promptly notify Lessor and Indenture Trustee of any Affiliate of Lessee that becomes an Affiliate Creditor and (b) to cause such Affiliate Creditor, within thirty (30) days of such Affiliate becoming an Affiliate Creditor, to execute and deliver to Lessor and Indenture Trustee a Subordination Agreement.

22. Lessor's Right to Perform for Lessee:

If Lessee fails to make any payment of Supplemental Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the expenses of Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the Default Rate, shall be deemed Supplemental Rent, payable by Lessee upon demand. No such payment or performance shall be deemed to waive any default or relieve Lessee of its obligations hereunder.

23. General Provisions:

23.1. Governing Law. This Lease, as extended, amended, modified, renewed or supplemented, shall be governed by and construed in accordance with the internal laws and decisions (as opposed to conflicts of law provisions) of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

23.2. Severability. Whenever possible, each provision of this Lease shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Lease is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Lease.

23.3. Headings and Table of Contents. The headings of the sections of this Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

23.4. Successors and Assigns. This Lease shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns.

23.5. True Lease. It is the intent of the parties to this Lease that it will be a true lease and not a "conditional sale," and that Trustor shall at all times be considered to be the owner of each Unit which is the subject of this Lease for the purposes of all Federal, state, city and local income taxes or for franchise taxes measured by net income, and that this Lease conveys to Lessee no right, title or interest in any Unit except as lessee. To the extent that Article 2A ("Article 2A") of the Uniform Commercial Code applies to the characterization of this Lease, Lessee and Lessor hereby agree that this Lease is a "Finance Lease" as defined therein. Lessee acknowledges: (a) that Lessee has selected the "Supplier" (as defined in the Uniform Commercial Code) and has directed Lessor to purchase the Equipment from the Supplier in connection with this Lease and (b) that Lessee has been informed in writing in this Lease, before Lessee's execution of this Lease, that Lessee is entitled under Article 2A to the promises and warranties, including those of any third party, provided to Lessor by the Supplier in connection with or as part of the Purchase Agreement,

and that Lessee may communicate with the Supplier and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.

23.6. Amendments and Waivers. No term, covenant, agreement or condition of this Lease may be terminated, amended or compliance therewith waived (either generally or in a particular instance, retroactively or prospectively) except by an instrument or instruments in writing executed by each party hereto and, so long as the Indenture is in force, without the written consent of the Indenture Trustee; provided, however, any breach or default, once waived in writing, shall not be deemed continuing for any purpose of the Operative Agreements.

23.7. Limitation of Lessor's Liability. Each party hereto acknowledges and agrees that (a) each and all of the representations, warranties, covenants and agreements herein made on the part of Lessor are made and intended not as personal representations, warranties, covenants or agreements of Trust Company or for the purpose or with the intention of binding Trust Company personally, but are made and intended for the purpose of binding only Lessor, and (b) Trust Company shall not be liable or accountable hereunder under any circumstances whatsoever in its individual capacity, except that it shall be liable in its individual capacity for its own gross negligence or willful misconduct or for breach of its covenants, representations and warranties made in such capacity contained herein.

23.8. Complete Agreement. This Lease constitutes the entire lease agreement between the parties. No other lease agreement, oral or written, express or implied, has been made between the parties.

23.9. Payments on Business Days. Notwithstanding any provision hereof to the contrary, any payment required under this Lease which is due on a day which is not a Business Day may be paid, without any interest charge for such delay, on the next day which is a Business Day.

23.10. Execution in Counterparts. THIS LEASE WILL BE SIMULTANEOUSLY EXECUTED IN COUNTERPARTS, EACH OF WHICH, WHEN SO EXECUTED AND DELIVERED, SHALL CONSTITUTE AN ORIGINAL, FULLY ENFORCEABLE COUNTERPART FOR ALL PURPOSES EXCEPT THAT ONLY THE COUNTERPART STAMPED OR MARKED "COUNTERPART NUMBER 1", THE RECEIPT OF WHICH HAS BEEN ACKNOWLEDGED BY INDENTURE TRUSTEE, SHALL CONSTITUTE "CHATTEL PAPER" OR OTHER "COLLATERAL" WITHIN THE MEANING OF THE UNIFORM COMMERCIAL CODE IN EFFECT IN ANY JURISDICTION.

23.11. Jurisdiction. Each party hereto hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or United States Federal Court sitting in New York County in the State of New York over any action or proceeding arising out of or relating to this Lease and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal Court.

Service of process upon each party hereto may be made by the mailing of copies of such process to it at its address referred to in Section 10.1 of the Participation Agreement. Each party hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each party hereto further waives any objection to venue in such court and any objection to any action or proceeding in such court on the basis of forum non conveniens. Nothing in this Section 23.11 shall affect the right of any party hereto to serve legal process in any other manner permitted by law. Each party hereto also waives any bond or surety or security upon such bond which might be required of any such party in any suit or action seeking equitable relief.

23.12. Waiver of Jury Trial. Each party hereto hereby waives its respective rights to a jury trial of any claim or cause of action, counterclaim or defense based upon or arising out of this Lease relating to the subject matter hereof and the business relationship that is being established. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this Lease, including, without limitation, contract claims, tort claims, breach of duty claims, any suit or other proceeding to enforce any of the provisions of this Lease, and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that it has already relied on the waiver in entering into this Lease and that each will continue to rely on the waiver in their related future dealings. Each party hereto further represents and warrants that it has reviewed this waiver with its legal counsel and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. This waiver is irrevocable, meaning that it may not be modified either orally or in writing, and the waiver shall apply to any subsequent amendments, renewals, supplements or modifications to this Lease. In the event of litigation, this Lease may be filed as a written consent to a trial by the court.

IN WITNESS WHEREOF, the parties have duly executed this Lease as of the date first above written.

LESSOR:

Susan P. McNally

SUSAN P. McNALLY
NOTARY PUBLIC
MY COMM. EXPIRES MARCH 31, 2000

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A., not in its individual capacity but solely as Owner Trustee

By _____
Name: MARK A. FORGETTA
Title: VICE PRESIDENT

LESSEE:

NOVA CHEMICALS INC.

By _____
Name:
Title:

INDENTURE TRUSTEE'S ACKNOWLEDGMENT

Indenture Trustee hereby acknowledges receipt of this Counterpart Number 1 of the Lease.

THE FIRST NATIONAL BANK OF CHICAGO, as Indenture Trustee

By _____
Name:
Title:

IN WITNESS WHEREOF, the parties have duly executed this Lease as of the date first above written.

LESSOR:

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A., not in its individual capacity but solely as Owner Trustee

By _____
Name:
Title:

LESSEE:

NOVA CHEMICALS INC.

By _____
Name:
Title: Secretary

INDENTURE TRUSTEE'S ACKNOWLEDGMENT

Indenture Trustee hereby acknowledges receipt of this Counterpart Number 1 of the Lease.

THE FIRST NATIONAL BANK OF CHICAGO, as Indenture Trustee

By _____
Name:
Title:

ALL-PURPOSE ACKNOWLEDGEMENT

State of Pennsylvania)

County of Allegheny)

On July 24, 1997 before me, Mary K. Benjamin, Notary Public
Date — Name and Title of Officer (i.e., Your Name, Notary Public)

personally appeared Arnold Wensky ~~& David F. Clarke~~
Name(s) of Document Signer(s)

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Mary K. Benjamin
Signature of Notary

Notarial Seal
Mary K. Benjamin, Notary Public
Aliquippa, Beaver County
My Commission Expires April 7, 2001
Member, Pennsylvania Association of Notaries

SF3-43852.2
b:\cmo\docs\cumergo\notary (Rev 8/95)

SCHEDULE A

EQUIPMENT LEASE AGREEMENT
EQUIPMENT DESCRIPTIONS

350 Covered Hopper Cars (5847 cubic foot) manufactured by National Steel Car Limited, Hamilton, Ontario, Canada

Lessor's Cost for each Unit: $68,000.00

SCHEDULE B

EQUIPMENT LEASE AGREEMENT
RENT FACTORS

[intentionally left blank]

SCHEDULE C

EQUIPMENT LEASE AGREEMENT
TERMINATION VALUES

[intentionally left blank]

SCHEDULE D

EQUIPMENT LEASE AGREEMENT
PRICING ASSUMPTIONS

Tax Law:

Notes:

Original Principal Amount

Interest Rate

Amortization

Lessor's Cost:

Closing Date:

Expiration Date:

Transaction Expenses:

SCHEDULE E

EQUIPMENT LEASE AGREEMENT
CASUALTY LOSS VALUES

[intentionally left blank]

EXHIBIT A

CERTIFICATE OF DELIVERY AND ACCEPTANCE

NOVA CHEMICALS INC. (Lessee under that certain Equipment Lease Agreement ("Lease") dated as of August 6, 1997, between Lessee and State Street Bank and Trust Company of Connecticut, N.A., a national banking association, not in its individual capacity, but solely as Owner Trustee ("Lessor")), hereby acknowledges and accepts delivery of the following equipment ("Leased Equipment") on behalf of Lessor and on its own behalf under the Lease:

DATE ACCEPTED:

NUMBER OF UNITS:

MARKED AND NUMBERED:

Lessor hereby leases to Lessee, and Lessee hereby accepts and leases from Lessor, the Leased Equipment pursuant to the Lease.

Dated: _____, _____ NOVA CHEMICALS INC.

By _____
Name:
Title:

ACKNOWLEDGMENT

This Certificate of Delivery and Acceptance is hereby acknowledged and agreed to as of _____, _____.

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A., not in its individual capacity but solely as Owner Trustee

By _____
Name:
Title:

EXHIBIT B

FORM OF

LEASE SUPPLEMENT

Dated _____, ____

Between

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A.,
not in its individual capacity
but solely as Owner Trustee,
Lessor,

and

NOVA CHEMICALS INC.,
Lessee

Railroad Equipment

The right, title and interest of Lessor under this Lease Supplement and certain of the Rent due and to become due under the Lease have been assigned as collateral security to and are subject to a security interest in favor of The First National Bank of Chicago, as Indenture Trustee under a Trust Indenture and Security Agreement dated as of August 6, 1997, between said Indenture Trustee, as secured party, and Lessor, as debtor. Information concerning such security interest may be obtained from Indenture Trustee at its address provided for in Section 15.2 of the Lease. As further described in Section 23.10 of the Lease, to the extent, if any, that this Lease Supplement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease Supplement may be created through the transfer or possession of any counterpart other than Counterpart Number 1. This is not Counterpart Number 1.

A Memorandum of this Lease was filed with the Surface Transportation Board on _____, ____, at _____ Recordation No. _____, and deposited in the office of the Registrar General of Canada pursuant to Section 105 of the Canada Transportation Act on _____, ____, at _____.

LEASE SUPPLEMENT

This **LEASE SUPPLEMENT** dated as of _____, ____ between STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A., a national banking association,, not in its individual capacity but solely as Owner Trustee under the Trust Agreement ("Lessor"), and NOVA CHEMICALS INC., a Delaware corporation ("Lessee"),

W I T N E S S E T H:

WHEREAS, the Lessor and the Lessee have heretofore entered into that certain Equipment Lease Agreement dated as of August 6, 1997 (the "Lease"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings specified in the Lease;

WHEREAS, the Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of confirming the acceptance and lease of the Units under the Lease in accordance with the terms thereof;

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Lessee hereby acknowledges and confirms that it has inspected and approved the Units set forth on Schedule I hereto and, as between Lessor and Lessee, such Units comply in all material respects with the specifications for such Units and are in good working order.

2. The Lessor hereby confirms delivery and lease to the Lessee, and the Lessee hereby confirms acceptance and lease from Lessor, under the Lease as hereby supplemented, of the Units listed on Schedule I hereto.

3. The Lessee hereby represents and warrants that no Casualty Occurrence has occurred with respect to the Units set forth on Schedule I hereto as of the date hereof.

4. The Closing Date of the Units described above is the date of this Lease Supplement set forth in the opening paragraph hereof.

5. The aggregate Lessor's Cost of the Units leased hereunder and the amounts comprising such Lessor's Cost are set forth on Schedule I hereto. The Casualty Loss Values, Termination Values and Early Purchase Option Price applicable to the Units are set forth in the Lease.

6. Lessee hereby confirms its agreement, in accordance with the Lease as supplemented by this Lease Supplement, to pay Rent to Lessor for each Unit leased hereunder as provided for in the Lease.

7. The execution and delivery of this Lease Supplement will in no way relieve or decrease the responsibility of any manufacturer for the warranties it has made with respect to any Unit.

8. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Lease Supplement may refer to the "Equipment Lease Agreement dated as of August 6, 1997", or may identify the Lease in any other respect without making specific reference to this Lease Supplement, but nevertheless all such references shall be deemed to include this Lease Supplement, unless the context otherwise requires.

9. This Lease Supplement shall be construed in connection with and as part of the Lease, and all terms, conditions and covenants contained in the Lease, as supplemented by this Lease Supplement, shall be and remain in full force and effect.

10. This Lease Supplement may be executed in any number of counterparts, each executed counterpart constituting an original but all together one and the same instrument.

11. This Lease Supplement shall in all respect be governed by and construed in accordance with the internal laws and decisions of the State of New York (as opposed to conflicts of law provisions); provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

IN WITNESS WHEREOF, the parties have duly executed this Lease Supplement as of the date first above written.

LESSOR:

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A., not in its individual capacity but solely as Owner Trustee

By _____
Name:
Title:

LESSEE:

NOVA CHEMICALS INC.

By _____
Name:
Title:

INDENTURE TRUSTEE'S ACKNOWLEDGMENT

Indenture Trustee hereby acknowledges receipt of this Counterpart Number 1 of the Lease Supplement.

THE FIRST NATIONAL BANK OF CHICAGO, as Indenture Trustee

By _____
Name:
Title:

Schedule I to
Lease Supplement

DESCRIPTION OF EQUIPMENT

Number of Units	Size and Type of Equipment	Manufacturer	Reporting Marks	Lessor's Cost Per Unit

EXHIBIT C

PURCHASE AGREEMENT ASSIGNMENT

PURCHASE AGREEMENT ASSIGNMENT

THIS PURCHASE AGREEMENT ASSIGNMENT dated as of _____, _____, between NOVA RL INC., a Delaware corporation ("Assignor"), and STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A., a national banking association, not in its individual capacity, but solely as Owner Trustee ("Assignee").

W I T N E S S E T H:

WHEREAS, Assignor has entered with National Steel Car Limited, a Canadian corporation ("Manufacturer"), into a Purchase and Sale Agreement dated as of May 14, 1997 (the "Purchase Agreement"), a copy of which is attached hereto, for the purchase of three hundred fifty (350) fifty-eight hundred forty-seven (5847) cubic foot covered hopper rail cars;

WHEREAS, Assignee, as lessor, and NOVA Chemicals Inc., a Delaware corporation, as lessee ("Lessee"), are entering into that certain Equipment Lease Agreement dated as of the date hereof (the "Lease") pursuant to the terms and conditions of which Lessee will lease from Assignee those units of said rail cars that are made subject to the Lease pursuant to its terms (the "Units"); and

WHEREAS, Assignee is acquiring the Units from Assignor pursuant to the terms of the Participation Agreement (as defined in the Lease); Assignor is willing to assign to Assignee, on the terms and conditions hereinafter set forth, Assignor's rights and interest under the Purchase Agreement to the extent that the Purchase Agreement pertains to the Units; and Assignee is willing to accept such assignment;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Assignment. Assignor has sold, assigned, transferred and set over, and does hereby sell, assign, transfer and set over, unto Assignee all of Assignor's right, title and interest in and to the Purchase Agreement to the extent that the Purchase Agreement pertains to the Units, such assignment including without limitation (a) all claims under the Purchase Agreement for damages in respect of any Unit arising as a result of any default by the Manufacturer, and (b) any and all rights of the Assignor under the Purchase Agreement to compel performance of the terms of the Purchase Agreement in respect of the Units. Assignee hereby accepts the foregoing assignment.

2. Assignor Remains Liable. It is expressly agreed that, anything herein contained to the contrary notwithstanding, Assignor shall at all times remain liable to Manufacturer under and in accordance with the Purchase Agreement to the same extent as if this Purchase Agreement Assignment had not been entered into, and neither Assignee nor any

Participant (as defined in the Lease) shall have any obligation or liability under the Purchase Agreement by reason of, or arising out of, this Purchase Agreement Assignment or be obligated to perform any of the obligations or duties of Assignor under the Purchase Agreement or to make any payment thereunder or to make any inquiry as to the sufficiency of any payment received by any of them or to present or file any claim or to take any other action to collect or enforce any claim for any payment assigned hereunder.

3. Further Agreement. Assignor agrees that at any time and from time to time, upon the written request of Assignee or any of its permitted successors or assigns, Assignor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Assignee or any of its permitted successors or assigns may reasonably request in order to obtain the full benefits of this Purchase Agreement Assignment and of the rights and powers herein granted.

4. Assignor's Representations and Warranties. Assignor does hereby represent and warrant that (i) the Purchase Agreement is in full force and effect and is enforceable in accordance with its terms, Assignor is not in default thereunder, and Assignor has no current, actual knowledge of any default by the Manufacturer thereunder; (ii) Assignor has not assigned or pledged, and hereby covenants that it shall not assign or pledge so long as this Purchase Agreement Assignment remains in effect, the whole or any part of the rights hereby assigned to anyone other than Assignee; and (iii) Assignor has not and shall not, so long as this Purchase Agreement Assignment remains in effect, enter into any agreement which would amend, modify, rescind, cancel, subordinate, hypothecate, waive, discharge or terminate the Purchase Agreement without the prior written consent of Assignee, which consent will not be unreasonably withheld.

5. No Amendment. Assignee agrees that it shall not enter into any agreement with Manufacturer which would amend, modify, rescind, cancel, subordinate, hypothecate, waive, discharge or terminate the Purchase Agreement without the prior written consent of Assignor, unless Assignee has notified Manufacturer that an Event of Default (under and as defined in the Lease) has occurred and is continuing.

6. Governing Law. This Purchase Agreement Assignment shall be governed by, and construed in accordance with, the internal laws of the State of New York.

7. Further Assurances. Assignor agrees that at any time and from time to time, upon the written request of Assignee, Assignor will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Assignee may reasonably request in order to obtain the full benefits of this Purchase Agreement Assignment and of the rights and powers herein granted.

8. Assignment. (a) Assignor's rights, title, interests, obligations and liabilities under this Purchase Agreement Assignment shall not be assignable by Assignor. Assignee shall not assign its rights, title and interests under this Purchase Agreement Assignment or under the Purchase Agreement except upon the concurrent assignment thereof, with the Lease, to a permitted assignee of the Lease.

(b) Assignor hereby acknowledges and consents to the assignment by Assignee of all of its right, title and interest in and to this Purchase Agreement Assignment to The First National Bank of Chicago (the "Indenture Trustee") pursuant to and in accordance with that certain Trust Indenture and Security Agreement dated as of the date hereof.

9. Counterparts. This Purchase Agreement Assignment may be executed in several counterparts, each of which so executed shall be deemed to be an original and all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Purchase Agreement Assignment to be duly executed as of the day and year first above written.

ASSIGNOR: NOVA RL INC.

By _____
Name:
Title:

ASSIGNEE: STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, N.A., not in its individual capacity, but solely as Owner Trustee

By _____
Name:
Title:

CONSENT AND AGREEMENT

NATIONAL STEEL CAR LIMITED, a Canadian corporation ("Manufacturer"), hereby acknowledges notice of and consents to all of the terms of the foregoing Purchase Agreement Assignment (the "Assignment", the defined terms therein being hereinafter used with the same meaning as defined therein) and hereby confirms to Assignee and Indenture Trustee that:

(i) Neither Assignee nor Indenture Trustee shall be liable for any of the obligations or duties of Assignor to Manufacturer under the Purchase Agreement, nor shall the Assignment give rise to any duties or obligations whatsoever on the part of Assignee or Indenture Trustee owing to Manufacturer;

(ii) Manufacturer hereby represents and warrants to Assignee and Indenture Trustee that this Consent and Agreement and, assuming the due authorization, execution and delivery of the Purchase Agreement by Assignor and the enforceability of the Purchase Agreement against Assignor, the Purchase Agreement constitute as of the date thereof and at all times thereafter, to and including the date of this Consent and Agreement, legal, valid and binding obligations of Manufacturer, in each case enforceable against Manufacturer in accordance with its terms; and

(iii) By consenting to the terms of the Assignment, Manufacturer does not intend to and shall not modify or waive its rights and obligations under the Purchase Agreement and Assignor shall remain fully liable for the performance of Assignor's obligations and duties thereunder.

Dated as of: _____, ____

NATIONAL STEEL CAR LIMITED

By _____
Name:
Title:

GLOSSARY

Dated as of August 6, 1997

The terms defined in this Glossary include the plural as well as the singular and the singular as well as the plural. Except as otherwise indicated, all the agreements or instruments herein defined mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof and of the Participation Agreement. References in the Operative Agreements to statutes, sections or regulations are to be construed as including all statutory or regulatory provisions consolidating, amending, replacing, succeeding or supplementing the statute, section or regulation referred to; the words "including," "includes" and "include" are deemed to be followed by the words "without limitation" or "but not limited to" or words of similar import; references in a document to articles, sections (or subdivisions of sections), exhibits, annexes or schedules are to those of such document unless otherwise indicated; and references to a Person includes such Person's successors and permitted assigns.

"Acceptable Credit Rating" for any Person has the meaning set forth in the Support Agreement.

"Affiliate" of any Person means any other Person controlling, controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Affiliate Creditor" means any Affiliate of Lessee to which Lessee owes any Subordinated Indebtedness.

"After-Tax Basis" means on a basis that any payment received or deemed to have been received by any Person shall be supplemented by a further payment to such Person so that the sum of the two payments, after deduction of all taxes and other charges resulting from the receipt or accrual of both payments (taking into account any applicable credits, offsets or deductions actually arising or deemed to arise therefrom and the timing thereof) shall equal the payment received or deemed to have been received. In the case of the Trustor (and any Affiliate thereof), such calculation shall be made on the assumption that the recipient is subject to federal income taxation at the highest marginal rate then applicable to corporations.

"Appraisal" for a Unit means a written appraisal from the Appraiser setting forth the economic life of such Unit and stating that (a) on the Closing Date, the Fair Market Value of such Unit is equal to the Lessor's Cost, (b) the estimated residual value of such Unit at the end of the Initial Term and each Renewal Term is at least equal to 20% of Lessor's Cost of such Unit (without regard to inflation or deflation), (c) the aggregate of the Initial Term and all Renewal Terms will not exceed 80% of the economic life of such Unit, (d) on the Early Purchase Option Date, the estimated Fair Market Value of such Unit as of such Early Purchase Option Date, taking into account the appropriate rate of inflation during the Initial Term, does not exceed the Early Purchase Option Price and (e) such Unit is not limited use property (within the meaning of Revenue Procedure 75-21, 1975-1 C.B. 715, or any other applicable successor statute, regulation, revenue procedure, information release or published Internal Revenue Service policy).

"Appraiser" means RailSolutions, Inc.

"Assumed Obligations" has the meaning set forth in Section 2.16 of the Indenture.

"Assumed Percentage" has the meaning set forth in Section 2.16 of the Indenture.

"Assumption Agreement" has the meaning set forth in Section 2.16 of the Indenture.

"Assumption Date" has the meaning set forth in Section 2.16 of the Indenture.

"Assumed Principal" has the meaning set forth in Section 2.16 of the Indenture.

"Assumptions" means the pricing assumptions set forth in Schedule D to the Lease.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended from time to time, and any similar legislation of the United States enacted in replacement or substitution therefor.

"Basic Rent" for any Unit, subject to the adjustments provided for in Section 5.4 of the Lease, means (a) with respect to any Rent Payment Date during the Initial Term, an amount equal to that percentage of Lessor's Cost of such Unit set forth as a Rent Factor in Schedule B to the Lease opposite such Rent Payment Date, and (b) with respect to any Rent Payment Date during a Renewal Term, an amount determined in accordance with Section 6.3 of the Lease.

"Bill of Sale" for any Unit means a warranty bill of sale for such Unit from Seller to Lessor substantially in the form of Exhibit H to the Participation Agreement.

"Board" means the Surface Transportation Board of the United States Department of Transportation.

"Business Day" means each day other than a Saturday, Sunday or day on which banks in the States of New York, Connecticut, or Illinois or the Commonwealths of Pennsylvania or Massachusetts are required or authorized to close.

"Canadian GAAP" means generally accepted accounting principles as in effect from time to time in Canada.

"Casualty Date" means, with respect to a Casualty Occurrence, (a) in the case of a constructive total loss based on an insurance settlement, the date the insurer, or insurers, agree to such loss, (b) in the case of a wearing out beyond economic repair, the date of Lessee's determination thereof, (c) in the case of a permanent return to a manufacturer, the date such manufacturer accepts such return and (d) in all other cases the date of the loss, theft, destruction, damage, taking, requisition or condemnation constituting the cause for a Casualty Occurrence.

"Casualty Determination Date" means, with respect to a Casualty Occurrence, (a) in the case of any Unit that suffered a constructive or total loss based on an insurance settlement, the date the insurer or insurers agree to such settlement, (b) in the case of any irreparable damage or damage or wearing out beyond economic repair in the reasonable judgment of Lessee, the date of such determination by Lessee and (c) in all other cases the Casualty Date.

"Casualty Loss Payment Date" for any Unit that has suffered a Casualty Occurrence means the monthly anniversary date of the Closing Date in the calendar month following the date Lessee gives Lessor notice of such Casualty Occurrence.

"Casualty Loss Value" for any Unit suffering a Casualty Occurrence means an amount equal to the sum of (i) during the Initial Term, that percentage of Lessor's Cost of such Unit set forth in Schedule E to the Lease opposite the calendar month containing the Casualty Date of such Casualty Occurrence and (ii) during any Renewal Term, that percentage determined in accordance with Section 6.3(b) of the Lease.

"Casualty Occurrence" means any of the events referred to in Section 11.2 of the Lease.

"Certificate of Delivery and Acceptance" for any Unit means the Certificates of Delivery and Acceptance covering such Unit substantially in the form of Exhibit A to the Lease.

"Citibank Base Rate" means the rate announced from time to time by Citibank, N.A., or any successor thereto, as its prime commercial lending rate.

"Claim" has the meaning set forth in Section 5.1(a) of the Participation Agreement.

"Closing" means the Closing described in Section 2 of the Participation Agreement.

"Closing Date" means the date for the Closing designated pursuant to Section 2 of the Participation Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor tax code thereto.

"Commitment" means a Purchase Commitment or the Equity Commitment.

"Debt Rate" means the interest rate on the Notes.

"Default" means any event which with the giving of notice or passage of time, or both, could become an Event of Default.

"Default Rate" means (i) with respect to any amount payable under the Operative Agreements (other than Excepted Payments), a per annum rate of interest equal to the Debt Rate plus two percent (2%), but in no event more than the maximum contract rate permitted under applicable law and (ii) with respect to Excepted Payments, a per annum rate of interest equal to the Citibank Base Rate plus two percent (2%), but in no event more than the maximum contract rate permitted under applicable law.

"Disclosure Documents" means the audited consolidated balance sheet of Lessee Parent and its consolidated Subsidiaries as of December 31, 1996 and the related consolidated statements of operations and changes in financial position for the year then ended.

"Dollars" or "$" means the lawful currency of the United States.

"Early Purchase Option Date" means March 27, 2014.

"Early Purchase Option Price" has the meaning as defined in Section 6.2(a)(iii) of the Lease.

"Equity Commitment" for any Unit means an amount equal to 25.51472835% of Lessor's Cost of such Unit provided that the Equity Commitment shall not exceed $6,679,000 in the aggregate for all Units.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" means any of the events referred to in Section 17 of the Lease.

"Excepted Payments" means (a) indemnity payments to and rights of Lessor, Trust Company and Trustor or any of their respective successors, assigns, directors, officers, employees, servants, agents or Affiliates under Section 5 of the Participation Agreement or under Section 3 of the Lessee Parent Guarantee with respect thereto and any corresponding payment of Supplemental Rent under the Lease, (b) proceeds of third party liability insurance carried by Lessee under Section 7 of the Lease payable as a result of liability insurance

claims for the benefit of, or for losses suffered by, Lessor, Trust Company or Trustor or any of their respective successors, assigns, directors, officers, employees, servants, agents or Affiliates, (c) all right, title and interest of Trustor, and all payments by Lessee of any amounts payable, under the Tax Indemnity Agreement or under Section 3 of the Lessee Parent Guarantee with respect thereto and any corresponding payment of Supplemental Rent under the Lease, (d) the right to sue for and enforce payment of any such indemnity or payment obligation provided in clauses (a) through (c) above pursuant to and only pursuant to Section 18.1(a) of the Lease, Section 3(a) of the Lessee Parent Guarantee or the Tax Indemnity Agreement, (e) provided that an interest in the Notes shall have been duly assumed by Lessee pursuant to Section 2.16 of the Indenture, the amount payable pursuant to Section 6.2(a)(iii) of the Lease, (f) insurance payments received under any insurance policies maintained by Lessor, Trust Company or Trustor pursuant to Section 7.6 of the Lease, (g) interest at the Default Rate on any amounts payable under clause (a), (b) or (c) above, and (h) any right to restitution from Lessee in respect of any of the foregoing payments resulting from a determination of invalidity of such payment.

"Expiration Date" means December 18, 2018.

"Fair Market Rental Value" of a Unit means an amount equal to the rental of such Unit which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession or a used equipment dealer) and an informed and willing lessor under no compulsion to lease. For purposes of Section 18 of the Lease, Fair Market Rental Value shall be determined on an "as is" basis. For all other purposes, Fair Market Rental Value shall be determined on the assumption that maintenance has been performed and improvements made in accordance with the Lease. Costs of removal from the location of current use shall not be a deduction from such value.

"Fair Market Value" of any Unit or of any addition or improvement to any Unit means an amount equal to the value of such Unit, addition or improvement which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than a buyer currently in possession or a used equipment dealer) and an informed and willing seller under no compulsion to sell and shall take into consideration the costs and expenses, including any taxes associated with the transfer of ownership from Lessor to Lessee, the intent being that Lessor and Lessee each derive the same benefits and costs as in an arm's-length transaction with a third party. For purposes of Section 18 of the Lease, Fair Market Value shall be determined on an "as is" basis. For all other purposes, Fair Market Value shall be determined on the assumption that maintenance has been performed and improvements made in accordance with the Lease. Costs of removal from the location of current use shall not be a deduction from such value.

"Income Taxes" has the meaning set forth in Section 5(a)(iii) of the Participation Agreement.

"Indemnified Tax" has the meaning set forth in Section 5.2(a)(i) of the Participation Agreement.

"Indemnitee" means each of Lessor, Trustor, Trust Company, Indenture Trustee, Note Purchasers, Note Holders and their respective Affiliates, agents, servants, directors, officers, employees, successors and permitted assigns.

"Indemnity Payment" has the meaning set forth in Section 5.2(b)(ii) of the Participation Agreement.

"Indenture" means that certain Trust Indenture and Security Agreement dated as of the date hereof between Indenture Trustee and Lessor.

"Indenture Default" means any event which with the giving of notice or passage of time, or both, could become an Indenture Event of Default.

"Indenture Documents" means each of the Lease, the Lease Supplements, the Purchase Agreement Assignment, the Bills of Sale, the Certificates of Delivery and Acceptance, the Support Agreement, the Lessee Parent Guarantee and each of the Subordination Agreements.

"Indenture Event of Default" means any of the Events of Default described in Section 4.02 of the Indenture.

"Indenture Supplement" means an Indenture Supplement between Lessor and Indenture Trustee in the form of Exhibit A to the Indenture.

"Indenture Trustee" means The First National Bank of Chicago, a national banking association, and its successors and assigns, not in its individual capacity, except as expressly stated, but solely in its capacity as indenture trustee under the Indenture.

"Indenture Trustee Documents" means the Participation Agreement, the Indenture and the Indenture Supplements.

"Indentured Property" means all property included in the Trust Indenture Estate, excluding any and all Excepted Payments.

"Initial Term" means the term of the Lease that ends on the Expiration Date.

"Institutional Investor" means any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Lease" means the Equipment Lease Agreement dated as of the date hereof between Lessor and Lessee.

"Leased Equipment" means collectively all Units subject to the Lease at any given time.

"Lease Supplement" means a Lease Supplement between Lessor and Lessee in the form of Exhibit B to the Lease.

"Lessee" means NOVA Chemicals Inc., a Delaware corporation.

"Lessee Advisor" means CIBC Wood Gundy Securities Corp.

"Lessee Documents" means the Participation Agreement, the Lease, the Lease Supplements, the Purchase Agreement Assignment, the Tax Indemnity Agreement, the Subordination Agreements and the Certificates of Delivery and Acceptance.

"Lessee Parent" means NOVA Chemicals Ltd., an Alberta corporation.

"Lessee Parent Documents" means the Participation Agreement, the Support Agreement and the Lessee Parent Guarantee.

"Lessee Parent Guarantee" means the Guarantee Agreement of Lessee Parent in the form of Exhibit A to the Support Agreement.

"Lessee Parties" means Lessee, Lessee Parent, Seller and each Affiliate Creditor.

"Lessor" means Trust Company, not in its individual capacity but solely as owner trustee of the Trust Estate under the Trust Agreement.

"Lessor Documents" means the Participation Agreement, the Trust Agreement, the Lease, the Lease Supplements, the Purchase Agreement Assignment, the Certificates of Delivery and Acceptance, the Support Agreement, the Subordination Agreements, the Indenture, the Indenture Supplements and the Notes.

"Lessor Lien" means any Lien arising as a result of (a) a claim against Lessor, Trust Company in its individual capacity or Trustor, in each case not related to the Overall Transaction, (b) taxes imposed against Lessor, Trust Company in its individual capacity or Trustor, in each case that are not indemnified against by Lessee pursuant to the Participation Agreement, the Lease or the Tax Indemnity Agreement or (c) a claim against Lessor or Trustor arising out of a voluntary transfer or other voluntary disposition of the Leased Equipment or any interest of Lessor therein or a transfer or other disposition of the Trustor's beneficial interest in the Trust Estate unless, in either case, (i) such transfer or disposition occurs in connection with the exercise of rights under the Lease following an Event of Default, (ii) such transfer or disposition relates to a transfer to Lessee or (iii) such transfer or disposition relates to a transfer pursuant to Lessee's election to terminate the Lease pursuant to Section 4.2 thereof.

"Lessor's Cost" for any Unit means $68,000.

"Lien" means any mortgage, pledge, lien, charge, attachment, levy, security interest or capital lease (including without limitation any conditional sale agreement, equipment trust agreement or other title retention agreement) or other encumbrance of whatsoever nature.

"Lien Indemnitee" has the meaning set forth in Section 12 of the Participation Agreement.

"Lien Indemnitor" has the meaning set forth in Section 12 of the Participation Agreement.

"Majority in Interest of Note Holders" as of a particular date of determination means the Note Holders (other than Trustor, Owner Trustee, Lessee or any Affiliate of any thereof) holding at least a majority in aggregate unpaid principal amount of all Notes, if any, outstanding as of such date.

"Make Whole Premium Amount" with respect to the Notes means, with respect to any prepayment of the Notes pursuant to Section 2.12, Section 2.13 or Section 2.14(b)(ii), (iii) or (iv) of the Indenture, an amount equal to the excess of (a) the aggregate present value as of the date of such prepayment or purchase of each dollar of principal being paid, prepaid or purchased and the amount of interest (exclusive of interest accrued to the date of prepayment or purchase) that would have been payable in respect of such dollar if such prepayment or purchase had not been made, all determined by discounting such payments semiannually at a rate which is equal to the Treasury Rate over (b) the aggregate principal amount of such Notes then to be paid, prepaid or purchased. To the extent that the Treasury Rate at the time of such prepayment or purchase is equal to or higher than the interest rate on the Notes, the Make Whole Premium Amount is zero. For purposes of any determination of the Make Whole Premium Amount:

> "Treasury Rate" means at any time with respect to the Notes being prepaid of purchased (a) the sum of .50%, plus the yield reported on page 500 of Telerate Access Service (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 11:00 A.M. (New York, New York time) for those actively traded United States government securities having a maturity (rounded to the nearest month) corresponding to the remaining Weighted Average Life to Maturity of the principal being prepaid, paid or purchased or (b) in the event that no nationally recognized trading screen reporting on-line intraday trading in United States government securities is available, Treasury Rate means the sum of .50%, plus the weekly average of the yield to maturity on the United States Treasury obligations with a constant maturity (as compiled by and published in the most recently published issue of the United States Federal Reserve Statistical Release designated H.15(519) or its successor publication) most nearly equal to (by rounding to the nearest month) the Weighted Average Life to Maturity of the Notes then being prepaid or purchased. If no maturity exactly corresponding to such Weighted Average Life to Maturity of such Notes shall appear therein, the weekly average yield for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Rate

shall be interpolated or extrapolated, as the case may be, from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"Weighted Average Life to Maturity" with respect to any Notes means, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of such Notes by the sum of the remaining scheduled principal payments on such Notes. The term "Remaining Dollar-years" of the Notes means the product obtained by (a) multiplying (i) the amount of each then scheduled required principal payment (including payment at final maturity), by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Notes and the date of such required payment is due, and (b) totaling all the products obtained in (a).

"Manufacturer" means National Steel Car Limited, a Canadian corporation.

"Material Adverse Effect" with respect to any Person means a material adverse affect on (a) the properties, business, operations or condition (financial or otherwise) of such Person and its consolidated Subsidiaries or (b) the ability of such Person to perform its obligations under the Operative Agreements to which it is a party.

"Material Adverse Tax Event" means after the fifth anniversary but prior to the eighteenth anniversary of the Closing Date, (i) the Lessee become liable under the Tax Indemnity Agreement or Section 5.2 of the Participation Agreement to make an indemnity payment as a result of an act, event or circumstance outside the control of Lessee or any Affiliate thereof; (ii) the total amount of such indemnity payment (including the present value of any payments reasonably expected to be required in the future, determined using the Debt Rate as the discount rate) exceeds $2,500,000; (iii) such liability will be avoided if the Lessee reacquires ownership of the Units; and (iv) the right to receive such indemnity payment is not waived by the indemnified person (or partially waived to the extent of amounts exceeding $2,500,000).

"Material Default" means an event that with the passage of time of the giving of notice or both would be an Event of Default as described in clauses (a), (b), (e) and (f) of Section 17 of the Lease; provided, however, that the failure of Lessee to make any payment under such clause (b) which Lessee is contesting in good faith shall not constitute a Material Default.

"Minimum Lot" means not less than two hundred fifty (250) Units randomly selected to avoid selection of Units which are unrepresentative of the condition of other Units. If Lessee and Lessor do not agree on random selection procedures, a "Minimum Lot" shall consist of Units having consecutive serial numbers and the Lessor shall select the first such serial number.

"Minority in Interest of Note Holders" as of a particular date of determination means the Note Holders (other than Trustor, Owner Trustee, Lessee or any Affiliate of any thereof)

holding at least 25% in aggregate unpaid principal amount of all Notes, if any, outstanding as of such date.

"Modification" to any Unit means an addition, improvement, alteration or modification to such Unit.

"Moody's" has the meaning set forth in Section 10.3(a) of the Participation Agreement.

"New Debt" has the meaning set forth in Section 6 of the Participation Agreement.

"Note" means each promissory note issued from time to time by Lessor pursuant to the terms of the Indenture and held by a Note Holder, including any notes issued in exchange therefor or replacement thereof.

"Note Holder" means any holder from time to time of one or more Notes.

"Note Purchase Commitment" for all Note Purchasers for any Unit means an aggregate amount equal to 74.48527165% of Lessor's Cost of such Unit.

"Note Purchaser" means each of American General Life Insurance Company and Jefferson-Pilot Life Insurance Company, and their respective successors and assigns.

"Note Register" has the meaning specified in Section 2.09 of the Indenture.

"Operative Agreement" means each of the Participation Agreement, the Lease, the Lease Supplements, the Indenture, the Indenture Supplements, the Notes, the Purchase Agreement Assignment, the Bills of Sale, the Certificates of Delivery and Acceptance, the Trust Agreement, the Support Agreement, the Lessee Parent Guarantee, the Subordination Agreements, the Trustor Parent Guarantee, the Tax Indemnity Agreement and the Purchase Option Letter.

"Overall Transaction" means the transactions contemplated by the Participation Agreement.

"Owner Trustee" means the Lessor in its capacity as the owner trustee under the Trust Agreement.

"Participant" means each of Trustor, Trustor Parent, Trust Company, Lessor, Indenture Trustee (including in its individual capacity) and each Note Holder.

"Participation Agreement" means the Participation Agreement dated as of the date hereof among the Parties, Lessee Parent and the Seller.

"Party" means Lessee and each Participant.

"Payment Date" has the meaning set forth in Section 18.1(d) of the Lease.

"Permitted Investment" means any of the following securities:

(a) direct obligations of the United States of America, or

(b) obligations fully guaranteed by the United States of America, or

(c) certificates of deposit issued by, or bankers' acceptances of, or time deposits or a deposit account with, any bank, trust company or national banking association incorporated and doing business under the laws of the United States of America or one of the States thereof, having a combined capital and surplus of at least $300,000,000 and a bond rating (for itself or its parent company), as determined by any nationally recognized rating service, which is investment grade (BBB or equivalent) or better, or

(d) commercial paper of the ten (10) largest finance companies incorporated in the United States, as determined by reference to the then most recently published Moody's Commercial Paper Record, which directly issue their own commercial paper and which are doing business under the laws of the United States of America or one of the States thereof and in each case having a rating assigned to such commercial paper by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized rating organization in the United States of America) equal to the highest rating assigned by such organization, or

(e) a money market fund registered under the Investment Company Act of 1940, as amended, the portfolio of which is limited to United States government obligations and United States agency obligations.

"Permitted Lessor Liens" means (a) the security interest created by the Indenture; (b) liens against one or more Units for taxes either not yet due or being contested in good faith and by appropriate proceedings diligently conducted so long as such proceedings shall stay the enforcement thereof and the sale or forfeiture of any Unit or any part thereof or interest therein; (c) undetermined or inchoate materialmen's, mechanic's, workmen's, repairmen's or employees' liens or other like liens against one or more Units arising in the ordinary course of business and securing obligations which are not delinquent or which shall have been bonded or the enforcement of which shall have been suspended (but only for the duration of such suspension); (d) the rights of Lessee and any permitted sublessee or assignee under the Lease; and (e) liens or claims for which Lessee is responsible under the Lease.

"Permitted Liens" means (a) the respective rights of each Participant in the Overall Transaction and each permitted sublessee and assignee, (b) as to Lessee, Lessor Liens, (c) Liens for taxes either not yet due or being contested in good faith and by appropriate proceedings diligently conducted so long as such proceedings stay the enforcement thereof

and the sale or forfeiture of any Unit any part thereof, title thereto or any interest therein, and (d) undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or employees' Liens or other like Liens arising in the ordinary course of business and securing obligations which are not delinquent or which have been bonded or the enforcement of which has been suspended (but only for the duration of such suspension).

"Person" means an individual, a corporation, a partnership, an unincorporated organization, an association, a joint stock company, a joint venture, a trust, an estate, a government or any agency or political subdivision thereof, or other entity, whether acting in an individual, fiduciary or other capacity.

"Plan Assets" means "plan assets" (within the meaning of U.S. Department of Labor Regulations Section 2510.3-101) of any employee benefit or other plan that is subject to ERISA or Section 4975 of the Code.

"Prepayment" has the meaning set forth in Section 6 of the Participation Agreement.

"Purchase Agreement" means the Purchase and Sale Agreement dated as of May 14, 1997, between Manufacturer and Seller.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment between Seller and Owner Trustee, substantially in the form of Exhibit C to the Lease with the Consent and Agreement of the Manufacturer attached thereto.

"Purchase Commitment" for each Note Purchaser means the following percentage of the Note Purchase Commitment for all Note Purchasers: (i) American General Life Insurance Company - 50%, not to exceed $9,817,500 in the aggregate for all Units, and (ii) Jefferson-Pilot Life Insurance Company - 50%, not to exceed $9,817,500 in the aggregate for all Units.

"Purchase Option Letter" means that certain letter agreement dated June 18, 1997 between Lessee and Trustor Parent regarding the exercise of certain purchase option rights under certain equipment lease agreements.

"Reamortization Date" has the meaning set forth in Section 2.17 of the Indenture.

"Redelivery Site" has the meaning set forth in Section 16.1(a) of the Lease.

"Refinancing" has the meaning set forth in Section 6 of the Participation Agreement.

"Renewal Term" means any period during which the Term is extended pursuant to Section 6.3 of the Lease.

"Rent" means, collectively and severally, Basic Rent and Supplemental Rent.

"Rent Factor" means each of the Rent Factors set forth in Schedule B to the Lease.

"Rent Payment Date" for any Unit means each March 27 and September 27 during the Term of the Lease for such Unit, provided, however, that if any such day is not a Business Day, then such Rent Payment Date shall be the immediately succeeding Business Day.

"Replacement Unit" has the meaning set forth in Section 11.4 of the Lease.

"Required Modification" to any Unit means a Modification required to be made to such Unit pursuant to Section 9.2 of the Lease or under the terms or conditions of any insurance policy maintained by Lessee pursuant to Section 7 of the Lease.

"Responsible Officer" means, with respect to the subject matter of any covenant, agreement or obligation of any Person contained in any Operative Agreement, any corporate officer of, or other representative specifically authorized by, such Person who, in the normal performance of his or her operational duties, would have responsibility for such matter and would be familiar with the requirements of the applicable Operative Agreement with respect thereto.

"S&P" has the meaning set forth in Section 10.3 of the Participation Agreement.

"SEC" means the Federal Securities and Exchange Commission or any successor agency thereto.

"Securities Act" means the Securities Act of 1933, as amended.

"Seller" means NOVA RL Inc., a Delaware corporation.

"Seller Documents" has the meaning set forth in Section 4.3(b) of the Participation Agreement.

"Special Canadian Counsel" means McCarthy Tétrault.

"Special Board Counsel" means Alvord and Alvord.

"Subordinated Indebtedness" has the meaning set forth in the form of the Subordination Agreement attached as Exhibit G to the Participation Agreement.

"Subordination Agreement" means each Affiliate Subordination Agreement substantially in the form of Exhibit G to the Participation Agreement from an Affiliate Creditor and Lessee delivered to Lessor and Indenture Trustee on the Closing Date or pursuant to Section 21.2 of the Lease.

"Subsidiary" of any Person means any entity of which more than fifty percent (50%) of its issued and outstanding shares of voting capital stock is owned, directly or indirectly, by such Person.

"Super-Majority in Interest of Note Holders" as of a particular date of determination means the Note Holders (other than Trustor, Owner Trustee, Lessee or any Affiliate of any thereof) holding at least 66-2/3% in aggregate unpaid principal amount of all Notes, if any, outstanding as of such date.

"Supplemental Rent" means the amounts payable pursuant to Section 5.2 of the Lease.

"Support Agreement" means that certain Support Agreement dated as of the date hereof from Lessee Parent to Lessor substantially in the form of Exhibit F to the Participation Agreement.

"Tax" means any and all fees (including without limitation documentation, license, recording, filing and registration fees), taxes (including, without limitation, income, gross receipts, ad valorem, value added, turnover, sales, stamp, use, personal property (tangible and intangible), stamp, leasing, lease, user, leasing use, excise, franchise, transfer, fuel, excess profits, occupational, interest equalization and other taxes), levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any and all penalties, fines, additions to tax and interest thereon, whether or not such Tax shall be existing or hereinafter adopted. "Taxes" means every such Tax.

"Tax Indemnitee" has the meaning set forth in Section 5.2(a)(i) of the Participation Agreement.

"Tax Indemnity Agreement" means that certain Tax Indemnity Agreement dated as of the date hereof between Lessee and Trustor.

"Tax Law Change" as to any Unit means any amendment, modification, addition or change in or to (a) the provisions of the Code (including for this purpose noncodified provisions of legislation affecting the Code such as transition rules or effective date provisions) that (i) is enacted prior to the Closing Date or (ii) is proposed or endorsed prior to the Closing Date by the Executive Branch of the United States, the Chairman of the Ways and Means Committee of the United States House of Representative or the Chairman of the Finance Committee of the United States Senate or (b) any of the following that is proposed, promulgated, issued, or adopted prior to the Closing Date: (i) federal tax regulations (including temporary and proposed regulations), (ii) Internal Revenue Service revenue rulings or procedures, (iii) published Internal Revenue Service or United States Treasury Department administrative interpretations or other releases, (iv) applicable judicial precedents, announcements, notices or (v) executive orders of the President of the United States.

"Term" means the Initial Term and all Renewal Terms, if any.

"Termination Date" for any Unit means any Rent Payment Date occurring on or after the fifth (5th) anniversary of the Closing Date and on or before one hundred eighty (180) days prior to the end of the Initial Term.

"Termination Value" on any Termination Date for any Unit means an amount equal to that percentage of Lessor's Cost of such Unit set forth in Schedule C to the Lease opposite the calendar month in which such Termination Date has occurred.

"Transaction Expenses" has the meaning set forth in Section 9 of the Participation Agreement.

"Trust Agreement" means that certain Owner Trust Agreement dated as of the date hereof between Trust Company and Trustor.

"Trust Company" means State Street Bank and Trust Company of Connecticut, N.A., a national banking association, in its individual capacity.

"Trust Estate" means all estate, right, title and interest of the Owner Trustee in and to the Units, the Lease and the other Operative Agreements, including, without limitation, all amounts of Basic Rent, Supplemental Rent, insurance proceeds (other than any insurance proceeds payable under liability policies to or for the benefit of the Owner Trustee, for its own account or in its individual capacity, or to Trustor or Trustor Parent) and requisition, indemnity or other payments of any kind (other than such payments payable to the Owner Trustee in its individual capacity) for or with respect to the Units. Notwithstanding the foregoing, the "Trust Estate" shall not include any Excepted Payments.

"Trust Indenture Estate" has the meaning set forth in the Granting Clause of the Indenture.

"Trustor" means Grant Holdings, Inc., a Pennsylvania corporation.

"Trustor Documents" means the Participation Agreement, the Trust Agreement and the Tax Indemnity Agreement.

"Trustor Parent" means Philip Morris Capital Corporation, a Delaware corporation.

"Trustor Parent Guarantee" means the Trustor Parent Guarantee dated as of the date hereof by Trustor Parent for the benefit of the beneficiaries named therein.

"Trustor Purchase Price" shall have the meaning set forth in Section 2.13 of the Indenture.

"Trustor's Economic Return" as of any date means Trustor's net after-tax book yield computed using the multiple investment sinking fund method of analysis and 100% of periodic after-tax cash flow for each of the first five (5) years of the Initial Term or each of the first five years after any adjustment pursuant to Section 5.4 of the Lease, 90% of periodic after-tax cash flow thereafter and 100% of aggregate after-tax cash flow.

"Unit" means, unless the context otherwise requires, an item of the equipment described in Schedule I to a Lease Supplement.

"US GAAP" means generally accepted accounting principles as in effect from time to time in the United States.