

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)

17993
NOV 6 1992 7:12 PM
INTERSTATE COMMERCE COMMISSION
OF COUNSEL
URBAN A. LESTER
2-311A019

November 6, 1992

Mr. Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

New

17993
NOV 6 1992 7:12 PM
INTERSTATE COMMERCE COMMISSION

Dear Mr. Strickland:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two fully executed original copies each of 1) a Loan and Security Agreement dated s of October 27, 1992 and 2) a Bill of Sale dated as of October 27, 1992, primary documents as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

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

LOAN AND SECURITY AGREEMENT

Borrower: Royal Bank Leasing Inc.
12th Floor
South Tower, Royal Bank Plaza
Toronto, Ontario, CANADA M5J 2J5

Lender: London Life Insurance Company
255 Dufferin Avenue
London, Ontario, CANADA N6A 4K1

BILL OF SALE

Seller: SLX Canada Inc.
1500 Bow Valley Square IV
250 6th Avenue S.W.
Calgary, Alberta CANADA T2P 3H7

County of...

2011/11/02

Mr. Sidney L. Strickland, Jr.
November 6, 1992
Page Two

Buyer: Royal Bank Leasing Inc.
Royal Bank Plaza
South Tower
Toronto, Ontario, CANADA M5J 2J5

A description of the railroad equipment covered by the enclosed documents is set forth in Schedule A attached hereto and made a part hereof.

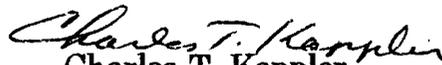
Also enclosed is a check in the amount of \$32.00 payable to the order of Interstate Commerce Commission covering the required recordation fee.

Kindly return stamped copies of the enclosed documents to Charles T. Kappler, Esq., Alvord and Alvord, 918 16th Street, N.W., Washington, DC 20006.

A short summary of the enclosed primary documents to appear in the Commission's Index is:

1) Loan and Security Agreement dated as of October 27, 1992 between Royal Bank Leasing Inc., Borrower, and London Life Insurance Company, Lender, and 2) Bill of Sale dated as of October 27, 1992 between SLX Canada Inc., Seller and Royal Bank Leasing Inc., Buyer, both documents covering 114 bi-level flat cars, CN 710807 - CN 710920 and 126 tri-level flat cars CN 704550 - CN 704675.

Very truly yours,


Charles T. Kappler

CTK/bg
Enclosures

SCHEDULE A

DESCRIPTION OF INITIAL UNITS

<u>TYPE</u>	<u>SPECIFICATIONS</u>	<u>BUILDER</u>	<u>IDENTIFICATION NUMBERS (INCLUSIVE)</u>	<u>QUANTITY</u>
Bi-level flat cars	Constructed according to CN specification F-150-4 dated October 1991, CN general arrangement drawing, 9H-51908 and such other modifications agreed to by the Lessee and the builder	National Steel Car Limited Racks by Thrall Car Manufacturing Company	CN 710807- CN 710920	114
Tri-level flat cars	Constructed according to CN specification F-140-1 and CN general arrangement drawing 9H-37476	National Steel Car Limited Racks by Thrall Car Manufacturing Company	CN 704550- CN 705675*	126

* These Units were renumbered in 1992. Previously, these Units bore the identification numbers set forth in the Annex hereto.

ANNEX TO SCHEDULE "A"

Prior Unit Identification Number	Current Unit Identification Number
CN 700604	CN 704550
CN 700554	CN 704551
CN 700530	CN 704552
CN 700503	CN 704553
CN 700541	CN 704554
CN 700512	CN 704555
CN 700627	CN 704556
CN 700545	CN 704557
CN 700648	CN 704558
CN 700637	CN 704559
CN 700528	CN 704560
CN 700511	CN 704561
CN 700588	CN 704562
CN 700583	CN 704563
CN 700614	CN 704564
CN 700509	CN 704565
CN 700613	CN 704566
CN 700515	CN 704567
CN 700610	CN 704568
CN 700631	CN 704569
CN 700560	CN 704570
CN 700510	CN 704571
CN 700580	CN 704572
CN 700582	CN 704573
CN 700591	CN 704574
CN 700644	CN 704575
CN 700543	CN 704576
CN 700520	CN 704577
CN 700634	CN 704578
CN 700521	CN 704579
CN 700518	CN 704580
CN 700625	CN 704581
CN 700561	CN 704582
CN 700523	CN 704583
CN 700553	CN 704584
CN 700544	CN 704585
CN 700577	CN 704586
CN 700635	CN 704587
CN 700647	CN 704588
CN 700573	CN 704589
CN 700646	CN 704590
CN 700626	CN 704591
CN 700639	CN 704592
CN 700567	CN 704593
CN 700531	CN 704594
CN 700504	CN 704595
CN 700571	CN 704596
CN 700562	CN 704597
CN 700513	CN 704598
CN 700564	CN 704599
CN 700537	CN 704600

Prior Unit
Identification Number

Current Unit
Identification Number

CN 700568
CN 700520
CN 700623
CN 700500
CN 700632
CN 700624
CN 700551
CN 700555
CN 700533
CN 700525
CN 700578
CN 700602
CN 700618
CN 700535
CN 700619
CN 700563
CN 700595
CN 700536
CN 700617
CN 700565
CN 700633
CN 700584
CN 700527
CN 700642
CN 700572
CN 700609
CN 700559
CN 700603
CN 700534
CN 700552
CN 700616
CN 700594
CN 700649
CN 700579
CN 700589
CN 700641
CN 700607
CN 700570
CN 700597
CN 700590
CN 700600
CN 700611
CN 700557
CN 700558
CN 700615
CN 700612

CN 704601
CN 704602
CN 704603
CN 704604
CN 704605
CN 704606
CN 704607
CN 704608
CN 704609
CN 704610
CN 704611
CN 704612
CN 704613
CN 704614
CN 704615
CN 704616
CN 704617
CN 704618
CN 704619
CN 704620
CN 704621
CN 704622
CN 704623
CN 704624
CN 704625
CN 704626
CN 704627
CN 704628
CN 704629
CN 704630
CN 704631
CN 704632
CN 704633
CN 704634
CN 704635
CN 704636
CN 704637
CN 704638
CN 704639
CN 704640
CN 704641
CN 704642
CN 704643
CN 704644
CN 704645
CN 704646

LOAN AND SECURITY AGREEMENT NOV 6 1992 12 10 PM

INTERSTATE COMMERCE COMMISSION

THIS AGREEMENT made as of the 27th day of October, 1992

BETWEEN:

ROYAL BANK LEASING INC., a corporation
incorporated under the laws of Canada (the
"Borrower")

- and -

LONDON LIFE INSURANCE COMPANY (the
"Lender")

WHEREAS:

A. The Borrower carries on the business of buying and leasing equipment.

B. The Borrower has agreed to purchase from SLX Canada Inc. ("SLX") the equipment described in Schedule A (the "Initial Units"), and in connection therewith to take an assignment from SLX of Lease of Equipment #40 made as of June 1, 1992, as amended and re-executed as of October 27, 1992, between Canadian National Railway Company, as lessee (the "Lessee"), and SLX, as lessor, pursuant to which the Initial Units have been leased by SLX to the Lessee.

C. The assignment of lease referred to in recital B is to include an assignment of all of SLX's right, title, benefit and interest in and to, and the assumption of all of its obligations under, the Lease, including without limitation, an assignment of all present and future rentals and other amounts payable or to become payable under the Lease from but excluding October 27, 1992, together with the benefit of all covenants, waivers, releases, indemnities and other obligations of the Lessee thereunder.

D. A true copy of the Lease is annexed hereto as Schedule B.

E. In order to assist the Borrower in financing its acquisition of the Initial Units from SLX the Lender has agreed to advance to the

Borrower by way of loan the sum of \$15,975,000 upon and subject to the terms of this agreement.

F. As security for repayment of the Loan together with interest and for the payment of all other indebtedness of the Borrower to the Lender pursuant to this agreement and to the Note, and as security for performance by the Borrower of all its obligations to the Lender hereunder and under the Note, the Borrower has agreed to assign to the Lender the right to receive payments on account of the Lease Indebtedness during the Assigned Term, together with related rights under the Lease, and the Lender has agreed to accept such assignment and to apply all payments received by it from the Lessee under the Lease in reduction of the amounts from time to time owing pursuant hereto and to the Note in accordance with the terms of this agreement.

G. The Borrower has also agreed to create a security interest in favour of the Lender in and to the Units and the Lease, and to assign to the Lender the Borrower's rights under the Lease as further security for the due performance by the Borrower of its obligations under this agreement and under the Note, and as security for the performance by the Lessee of its obligations under the Lease, but subject always to the Lessee's rights under the Lease.

THEREFORE, in consideration of the premises and the parties' respective covenants and agreements herein, the parties agree as follows:

ARTICLE ONE

INTERPRETATION

1.1 Definitions

In this agreement, unless otherwise specified:

"Adjusted Rent" has the meaning attributed thereto in subsection 3.1(b);

"Advance Payment" has the meaning attributed thereto in subsection 4.3(c);

"Assigned Term" means that part of the Term of the Lease commencing on October 27, 1992 and terminating on (and including) the Lease Termination Date;

"**Casualty Payment**" means any payment made or required to be made by the Lessee on or after the Closing Date pursuant to the Lease with respect to any Casualty Occurrence;

"**Closing**" means completion of the advance of the Loan to the Borrower as contemplated hereunder;

"**Closing Date**" means October 27, 1992, or such other date as may be agreed by the parties in writing;

"**Collateral**" means all undertaking, property and assets, including without limitation all Units, the Lease and the Lease Indebtedness, subject from time to time to the Security Interest; references to the Collateral shall, unless otherwise indicated, be deemed to refer to the Collateral or any part thereof;

"**Event of Insolvency**" means, in respect of the Borrower, the occurrence of any one of the following events:

- (a) if the Borrower shall:
 - (i) be wound up, dissolved or liquidated or have its existence terminated or have any resolution passed therefor unless in conjunction with a bona fide corporate reorganization in which a successor corporation which is then affiliated with the Borrower (within the meaning of that term in the Canada Business Corporations Act) will succeed to its obligations and enters into an assumption agreement with the Lender to that effect;
 - (ii) make a general assignment for the benefit of its creditors or a proposal under the Bankruptcy Act as amended, re-enacted or replaced from time to time, or shall give notice of its intention to make such an assignment or proposal, or shall be declared bankrupt or insolvent; or
 - (iii) propose a compromise or arrangement under the Companies' Creditors Arrangement Act or any similar legislation from time to time, or if it shall file any petition or answer seeking any

reorganization, arrangement, dissolution, stay of claims generally or other relief for itself under the Bankruptcy Act as amended, re-enacted or replaced from time to time or any other present or future law relating to bankruptcy, insolvency or other relief for debtors; or

- (b) if a court of competent jurisdiction shall enter an order, judgment or decree approving any petition filed against the Borrower seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, winding-up, termination of existence, declaration of bankruptcy or similar relief under any present or future law relating to bankruptcy, insolvency or other relief for or against debtors and the Borrower shall acquiesce in the entry of such order, judgment or decree, or if the Borrower is not contesting the same in good faith and with due diligence or, in any event, if such order, judgment or decree shall remain unvacated and unstayed for an aggregate of 45 days from the day of entry thereof; or if any trustee in bankruptcy or receiver (which may include a receiver and manager) shall be appointed for the Borrower or for all or a substantial part of its property with the consent or acquiescence of the Borrower or if the Borrower is not contesting the same in good faith and with due diligence or, in any event, if such appointment shall remain unvacated and unstayed for an aggregate of 45 days.

"Excess Payments" has the meaning attributed thereto in section 4.1;

"Expenses" has the meaning attributed thereto in section 8.4;

"Indebtedness" has the meaning attributed thereto in section 3.1;

"Initial Units" has the meaning attributed thereto in recital B, above;

"Late Payment Rate" means 10.33% per annum, compounded semi-annually, being a rate equivalent to the interest rate on Arrears (as defined in the Lease) provided for in section 22.1 and Schedule B to the Lease;

"Lease" means Lease of Equipment #40, made as of June 1, 1992, as amended and re-executed as of October 27, 1992, between SLX, as lessor, and the Lessee with respect to the Initial Units, as amended and as the same may from time to time hereafter be amended, including all schedules, appendices and supplements thereto;

"Lease Indebtedness" has the meaning attributed thereto in section 3.1;

"Lease Payments" means any payments to be made by the Lessee after October 27, 1992 pursuant to Schedule B of the Lease, and for greater certainty excluding any Rental payment due on October 27, 1992;

"Lender's Casualty Settlement" means at any time with respect to a Unit that has suffered a Casualty Occurrence, that amount of the Casualty Payment due under the Lease with respect to that Unit which is equal to the percentage of the amount so due set forth on Schedule C opposite the date on which such Casualty Payment is required to be made under the Lease;

"Lessee" has the meaning attributed thereto in recital B, above;

"Loan" means the loan from the Lender to the Borrower in the principal amount of \$15,975,000 contemplated by this agreement;

"Note" means the promissory note to be given by the Borrower to the Lender in the principal amount of the Loan together with interest thereon at the rate of 9.45% per annum calculated and payable semi-annually, which note is to be substantially in the form annexed hereto as Schedule D;

"Operative Documents" means the documents listed in Schedule E;

"Prime Rate" means at any time the rate of interest which is then equal to the Royal Bank of Canada prime rate, being the rate of interest established from time to time by such Bank as its reference rate then in effect for determining interest rates on Canadian dollar commercial loans made by it in Canada,

expressed as an annual rate and calculated daily, with any change in such rate being effective on the date such change is announced by such bank;

"**Security Interest**" means any and all of the security interests created hereunder, or to be created as contemplated herein, in favour of the Lender pursuant to Article Three, including without limitation all mortgages, charges, assignments and transfers provided for in that Article;

"**Termination Fees**" has the meaning attributed thereto in subsection 3.1(b);

"**Units**" means the Initial Units as well as any other unit of equipment which may be substituted for an Initial Unit or other Unit under the Lease or which hereafter becomes subject thereto, and includes all parts, attachments, accessions and alterations thereto (other than Temporary Alterations (as defined in the Lease) which do not become the lessor's property under the Lease) which from time to time are or become subject to the Lease or which automatically or otherwise become or are deemed to become the Borrower's property (as lessor) thereunder;

"**this agreement**", "**herein**", "**hereunder**", "**hereof**" and similar terms refer to this as a whole and not to any particular Article, section, subsection, paragraph, Schedule or other subdivision of this agreement.

1.2 The terms, "**Banking Day**", "**Casualty Occurrence**", "**Lease Termination Date**", "**Rental**", "**Stipulated Loss Value**" and "**Term**" have the same respective meanings as are attributed thereto in the Lease.

1.3 **Headings and Section References**

The use of headings and the division of this agreement into Articles, sections, subsections, paragraphs and other subdivisions are for convenience of reference only and shall not affect the interpretation hereof. Reference in this agreement to a Schedule, Article, section, subsection, paragraph or other subdivision are to the corresponding Article, Schedule, section, subsection, paragraph or other subdivision of this agreement, unless otherwise indicated. In this agreement, words in the singular include the plural and vice versa, and words in one gender include all genders.

1.4 Governing Law

This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and shall be treated in all respects as an Ontario contract. All dollar amounts expressed in this agreement are in Canadian dollars.

1.5 Severability

Any provision herein prohibited by law shall to the extent prohibited be ineffective without invalidating any other provisions hereof.

1.6 Schedules

The following Schedules annexed hereto form part of this agreement:

- Schedule A - Description of Initial Units
- Schedule B - Lease
- Schedule C - Lender's Casualty Settlement
- Schedule D - Form of Note
- Schedule E - List of Operative Documents
- Schedule F - Form of opinion of legal counsel for the Borrower
- Schedule G - Form of opinion of legal counsel for the Lessee
- Schedule H - Form of Assignment Agreement (Quebec)

ARTICLE TWO

LOAN

2.1 Loan Advance

The Lender agrees to advance the Loan to the Borrower on the Closing Date upon and subject to the terms and conditions of this agreement and for the sole purpose of financing in part the Borrower's acquisition of the Initial Units and the Lease.

2.2 Repayment Schedule; Interest

The principal amount of the Loan outstanding from time to time shall bear interest at the rate of 9.46% per annum, calculated and payable semi-annually in arrears on the first days of April and October in each year, commencing April 1, 1993. The principal amount of the Loan together with interest shall be repayable in accordance with the terms of the Note including the schedule of principal payments annexed thereto, subject to variation and adjustment in accordance with section 4.6 and subject to section 4.1.

2.3 Conditions Precedent

(1) The obligation of the Lender to advance the Loan is subject to satisfaction of each of the following conditions precedent:

- (a) the Lender shall have been provided on or prior to the Closing Date with:
 - (i) a notice of assignment to the Lessee with respect to the assignments herein contained and of the Security Interest, which notice is to be in form and substance satisfactory to the Lender;
 - (ii) an acknowledgement and acceptance of the said notice of assignment by the Lessee and an undertaking to continue to pay all amounts on account of Lease Indebtedness to the Borrower or as the Lender may otherwise direct, unconditionally and without reduction or set-off except as expressly provided in Article VI of the Lease, such acknowledgement and

undertaking to be in form and substance satisfactory to the Lender;

- (iii) an opinion of legal counsel for the Borrower in substantially the form annexed hereto as Schedule F;
 - (iv) an opinion of legal counsel for the Lessee in substantially the form annexed hereto as Schedule G;
 - (v) the Note evidencing the Loan, duly executed and delivered by the Borrower;
 - (vi) evidence satisfactory to the Lender as to completion of the Borrowers' acquisition of the Initial Units and the Lease free and clear of all liens and encumbrances of third parties as contemplated herein and in the Lease;
 - (vii) an assignment agreement in respect of the Lease and the Lease Indebtedness in substantially the form annexed hereto as Schedule H; and
 - (viii) such other documentation as the Lender may reasonably require with respect to satisfaction of the conditions set forth in subsection 2.3(1)(b);
- (b) as at the Closing Date:
- (i) there shall have been no default by the Borrower hereunder nor shall any event have occurred which, with the giving of notice or lapse of time or both, could constitute an event of default hereunder; and all representations and warranties of the Borrower herein shall be true and correct as at such date and as if made at that time;
 - (ii) there shall have been no default by the Borrower or by the Lessee in any of their respective obligations under the Lease; and all representations and warranties contained therein respecting the Borrower and the Lessee shall be true and correct as at such date and as if made at that time;
 - (iii) all of the documents and instruments described in subsection 2.3(1)(a) required to be delivered to the Lender thereunder shall have been delivered; and

- (iv) there shall be no lien or encumbrance then outstanding upon, in respect of or affecting the Collateral or any part thereof, and there shall be no other charge or encumbrance upon or affecting the Collateral or any part thereof except for the Lessee's interests under the Lease and except for the Security Interest.

(2) In the event that the Closing does not occur on or prior to October 27, 1992 (or such later date as the Lender may in its sole discretion determine), or in the event that the conditions set forth in this section 2.3 are not satisfied on or prior to such date or on such later date, as the case may be, then the parties' obligations hereunder with respect to the Loan shall thereupon cease, and the Borrower shall have no further right to draw on the Loan and the Lender's obligation to advance the Loan hereunder shall terminate. In that event the Lender shall release and discharge its security interests in the Collateral and shall deliver to the Borrower such documents as may be necessary to effect such release and discharge, and shall cancel and return the Note.

ARTICLE THREE

SECURITY

3.1 As security for the due payment of the indebtedness from time to time owing hereunder and under the Note (the "Indebtedness"), and for the due performance by the Borrower of all of its obligations hereunder, and as security for the due payment of all monies from time to time owing under the Lease during the Assigned Term on account of Lease Indebtedness, and to compel the due performance by the Lessee of its obligations under the Lease:

- (a) the Borrower hereby assigns and grants to and in favour of the Lender a first fixed charge on and mortgage of and a continuing security interest in and to:
 - (i) the Lease and any and all amendments thereto from time to time;
 - (ii) the Units; and

- (iii) all right, title and interest of the Borrower in, to and under the Operative Documents and in, to and under all other agreements and instruments to which the Borrower is or may become a party, or which are made in its favour or to which it is entitled to the benefits, relating to any of the Units or the Lease, including but not limited to any covenants, warranty, service or other agreements applicable to any of the Units;

together with all cash and other proceeds of the foregoing (including but not limited to amounts payable under the Lease whether on account of Lease Indebtedness or otherwise, and including any amount payable pursuant to section 17.1 and Schedule F to the Lease) and of the insurance referred to in section 5.3, if any, and in all the Borrower's rights and interests in and to any and all of the foregoing; provided that the Security Interest is subject to the rights of the Lessee under the Lease; and provided further that the Security Interest shall attach upon the execution hereof and, with respect to any Collateral or any interest of the Borrower therein acquired after the date hereof, the Security Interest shall attach thereto upon the Borrower first acquiring any right or interest therein;

- (b) the Borrower hereby assigns and transfers to the Lender and grants to the Lender a continuing security interest in and to, all monies and credits owing or to become owing under the Lease in respect of or in lieu of Lease Payments during the Assigned Term including, without limitation, (i) all Rentals from time to time becoming due thereunder during or in respect of the Assigned Term, (ii) all rights to payments on account of interest on overdue amounts as provided for in section 22.1 and Schedule B of the Lease, (iii) subject to section 4.6, all rights to payments on account of Stipulated Loss Value, and all rights to any other payments made on account of or in respect of any termination of the Lease in whole or in part (as it relates to any one or more Units) (hereinafter collectively called "Termination Fees"), and (iv) all amounts which may become owing on account of Rentals and which are in excess of Rentals provided for as at the date hereof by reason of any adjustment thereto pursuant to Schedule G to the Lease (the excess portion being herein called "Adjusted Rent"), but for greater certainty excluding any amounts which may become payable by the Lessee pursuant to section 17.1 and Schedule F to the Lease on exercise of any end of Term

purchase option (all such present and future indebtedness of the Lessee for such Lease Payments, including without limitation interest thereon, Termination Fees, Adjusted Rent and all other amounts assigned in accordance with this subsection 3.1(b), is herein sometimes collectively referred to as "Lease Indebtedness"); and

- (c) for greater certainty and without in any way limiting the foregoing assignment, mortgage, charge and security interest, the Borrower hereby assigns and transfers to the Lender the benefit in common with the Borrower of, and grants to the Lender a continuing security interest in and to, all covenants, obligations and warranties of the Lessee under the Lease including, without limitation, the covenants, obligations and warranties contained in Articles V, VI, VII, IX, X, XII, XIII, XIV, XV, XVI, XVIII and XXII of the Lease.

3.2 The Borrower hereby agrees to execute and deliver to the Lender such further agreements and instruments as may be reasonably required by the Lender to validly perfect the whole or any part of the Security Interest hereby created or intended to be created, provided that in the event of any conflict between the terms and provisions of such further agreements and instruments and the terms of this agreement, the terms of this agreement shall govern subject to any express provision to the contrary in any such agreement or instrument.

ARTICLE FOUR

REPAYMENT OF LOAN, COLLECTION OF LEASE INDEBTEDNESS

4.1 **Liability of the Borrower; Application of Lease Indebtedness**

It is the intention of the parties that the Indebtedness shall be paid (and the Loan repaid together with accrued interest) to the Lender through collection by the Lender or remittance to it by the Borrower of the Lease Indebtedness, and the payment schedule annexed to the Note has been drafted accordingly. It is further the parties' intentions, and it is hereby agreed, that the Borrower shall have no liability to the Lender to make any payments on account of principal or interest except to the extent that the Borrower receives any amounts on account of Lease Indebtedness or in lieu thereof, and the Lender shall have no recourse to the Borrower

for such payments except as otherwise specifically provided herein. Accordingly, all amounts assigned by the Borrower pursuant to subsection 3.1(b) and which may hereafter be received by the Lender from the Lessee on account of Lease Indebtedness together with all amounts received by the Lender from the Borrower pursuant to section 4.3 in respect of the Lease (and which are not later required to be reimbursed to the Borrower or the Lessee) shall be applied by the Lender on account of the corresponding payment of principal and/or interest or other amounts then due hereunder or under the Note, and to all arrears and other amounts then due and owing pursuant to the Note or hereunder, if any, (including, without limitation, amounts owing on account of interest on late payments calculated at the Late Payment Rate, and arrears arising due to any acceleration of the Note). Any excess thereof thereafter remaining ("Excess Payments") after such application, so long as there has been no default hereunder and no Event of Default has occurred under the Lease, shall be remitted by the Lender to the Borrower for its own account notwithstanding the assignment pursuant to section 3.1.

4.2 Collection and Enforcement by Lender

In furtherance of the assignments and the Security Interest provided for in section 3.1 and the Lender's rights hereunder, the Borrower hereby authorizes and empowers the Lender, in the Lender's own name or in the name of the Lender's nominee, or in the name of or as attorney hereby irrevocably constituted for the Borrower as lessor, to ask, demand, sue for, collect, receive and give a discharge or receipt for any and all sums payable on account of Lease Indebtedness under the Lease and to endorse any cheques or other instruments received in connection therewith.

4.3 Collection by Borrower

(1) Until any default by the Borrower hereunder or until it receives notice to the contrary from the Lender, the Borrower, as agent for the Lender, is hereby authorized to collect on behalf of and remit to the Lender all payments owing by the Lessee from time to time on account of Lease Indebtedness (other than any amount constituting a prepayment of any Lease Indebtedness). For greater certainty nothing in this section 4.3 shall limit or in any way restrict the Lender's rights pursuant to section 4.2 or any other rights, powers and remedies of the Lender hereunder, including the right to exercise the rights, powers and remedies of the Borrower as lessor under the Lease as the Lender may, in its sole discretion, deem to be appropriate, and the Lender may revoke the Borrower's authority under this section 4.3(1) at any time.

(2) The Borrower shall, forthwith upon receipt, allocate and remit to the Lender that portion of each Lease Payment or other payment on account of Lease Indebtedness which is equal to the aggregate of the payment of principal and/or interest due under the Note or hereunder on the date corresponding to the date on which such Lease Payment or payment on account of Lease Indebtedness was due under the Lease, plus all other arrears of principal or interest then due under the Note, if any, plus interest on any amount not paid when due under the Note calculated at the Late Payment Rate from the date on which the same was due to the date of collection thereof by the Borrower.

(3) All amounts so allocated or properly allocable to the Lender in accordance with this section shall be held by the Borrower in trust for the Lender and shall be forthwith paid over to it by means of cheque or electronic funds transfer to the place or account designated by the Lender to the Borrower in writing from time to time in accordance with the following procedure:

- (a) such payments to be made to the Lender shall be made during normal banking hours on the date when the Borrower is able to treat the corresponding Lease Payment or other payment on account of Lease Indebtedness received from the Lessee as unconditionally received by it;
- (b) payments which are not made by the Borrower on the date referred to in paragraph (a), due solely to the actions of the Borrower, shall bear interest at the Prime Rate in effect from time to time which interest shall be payable by the Borrower on demand (and for which interest the Lender shall, for greater certainty, have full recourse to the Borrower);
- (c) if any payment on account of Lease Indebtedness received by the Borrower or Lender, as the case may be, from or on behalf of the Lessee, and in respect of which the Borrower has paid any amount to the Lender under this section, or in respect of which the Lender has paid any amount to the Borrower under section 4.1, is dishonoured, rescinded or reversed for any reason such that the party receiving the same shall not have received or be entitled to retain the same, then after the Borrower or Lender, as the case may be, has paid the other such amount, or if the Borrower has paid the Lender any amount under this section 4.3 before the corresponding payment has been received by the Borrower from or on behalf of the Lessee (an "Advance Payment") (it being understood that the Borrower shall have no obligation to make such

payments) and if such payment is not thereafter duly made by or on behalf of the Lessee, the party receiving such payment shall promptly pay to the other (who has remitted such amount to the recipient), upon request, the portion of the rescinded payment paid to the recipient and, in the case of any Advance Payment, shall also remit to the Borrower interest thereon at the Prime Rate from and including the date of payment by the Borrower to, but excluding, the date of receipt by the Borrower of the refund. If the payor shall be required to pay any interest or penalty to the Lessee or otherwise with respect to sums so rescinded, reversed or otherwise returned, the recipient shall also pay to the payor an amount equal to its pro rata share of such interest or penalty upon demand; and

- (d) for greater certainty, provided that the Borrower is not then in default of its obligations hereunder and that no Event of Default shall have occurred under the Lease, amounts collected or received by the Borrower which are, in accordance with the entitlements provided in section 4.1, Excess Payments may be retained by the Borrower for its own use and shall be free of and released from the Security Interest.

(4) Notwithstanding the foregoing or anything to the contrary herein, the Borrower shall have no authority to collect any amount constituting a prepayment of Lease Indebtedness. Any such amount received by the Borrower shall be held by it in trust for, and shall forthwith on receipt be remitted to, the Lender to be applied by it in accordance with this agreement and the Note as a prepayment of the corresponding payment due hereunder or under the Note or may be held by the Lender as additional collateral security for the making of such corresponding payment or other obligations of the Lessee under the Lease, and any excess thereof shall be dealt with in accordance with section 4.1.

4.4 Withholding

Each of the Borrower and the Lender represents and warrants to the other that it is entitled to receive all payments contemplated hereunder without the payor being required to deduct any amounts in order to comply with all applicable laws of Canada, any province thereof or any other jurisdiction to which such party or the Lessee is subject.

4.5 Other Payments

For greater certainty, the rights to any monies other than Lease Indebtedness owing under or in connection with the Lease during the Assigned Term and thereafter shall remain the property of the Borrower, subject however to subsection 3.1(a). If an Event of Default (as defined in the Lease) by the Lessee occurs under the Lease, any monies received by the Borrower thereafter under or in connection with the Lease, save and except for monies payable in respect of taxes, shall be held separate and apart and in trust for the Lender as additional collateral security for performance by the Lessee of its obligations under the Lease and for payment of amounts due or becoming due to the Lender hereunder or under the Note and shall, if required by the Lender, be paid over to the Lender to be applied against the Indebtedness and any other amounts becoming due to the Lender hereunder or under the Note, including amounts due by acceleration hereunder or under the Lease.

4.6 Casualty Occurrences and Payments; Prepayment Premium

(1) In the event of a Casualty Occurrence in respect of which the Lessee makes any payment on account of Stipulated Loss Value under the Lease during the Assigned Term (other than on the Lease Termination Date), the Lender shall be entitled to collect and receive from such payment, and there shall immediately become due hereunder and under the Note on account of principal and the prepayment premium provided for in subsection 4.6(2), an amount equal to the applicable Lender's Casualty Settlement outstanding for each Unit in respect of which such Stipulated Loss Value payment is to be made. All amounts paid on account of Stipulated Loss Value under the Lease and allocable to and received by the Lender hereunder (whether directly received by the Lender or paid to it by the Borrower pursuant to Article Four) shall be applied by the Lender first on account of a special prepayment of principal under the Note and next on account of the prepayment premium provided for in subsection 4.6(2). After the amount due hereunder to the Lender in respect of the applicable Casualty Occurrence has been duly paid by the Lessee in accordance with the Lease to the Lender or the Borrower (as agent for the Lender under section 4.3), each principal payment falling due under the Note thereafter shall be reduced by an amount equal to the net amount of the applicable Lender's Casualty Settlement so received by the Lender (calculated after deducting the portion thereof applied in satisfaction of the prepayment premium due under subsection 4.6(2)) prorated over all principal payments then remaining due under the terms of this agreement and the Note; and subject to section 4.1, all amounts so

received by the Lender in excess of the Lender's Casualty Settlement allocation, if any, shall be remitted to the Borrower.

(2) It is acknowledged that the Lender's Casualty Settlement, to which the Lender is entitled in the circumstances contemplated in subsection 4.6(1), has been calculated to include an amount payable to the Lender as a premium in respect of prepayment of principal hereunder equal to 3% of the principal amount of the Note so prepaid. Such premium shall be due and deemed to be due and paid on account of the Lender's liquidated damages in respect of the Lender's redeployment expenses and costs and constitutes a reasonable and genuine pre-estimate thereof, and not as a penalty.

ARTICLE FIVE

LESSOR'S COVENANTS UNDER LEASE, INSURANCE

5.1 Borrower's Obligations

The Lender does not by virtue of this agreement assume any obligations whatsoever under the Lease or in respect of the Units including, without limitation, any obligations relating to maintenance and repair of the Units, liability for breach of any representation or warranty made to the Lessee or arising by operation of law in respect of the Units or the Lease, and claims of third parties relating to the Units or the use thereof. The Borrower agrees to honour all such obligations as are binding on it under the Lease and, at the Borrower's cost, to take all reasonable measures to protect the interests thereunder of the Borrower and the interests of the Lender as assignee and secured party arising hereunder, provided that the Borrower shall not be liable for any error of judgment or for any action taken or omitted to be taken by the Borrower in the servicing and administration of the Lessee's obligations under the Lease, except where the same is a result of its own gross negligence or willful misconduct or where such error, action or omission otherwise constitutes a breach by the Borrower of its obligations under this agreement.

5.2 Lessee's Quiet Possession under Lease

The Lender agrees not to disturb the Lessee's quiet and peaceful possession of the Units so long as the Lessee is not in default of any provision of the Lease.

5.3 Insurance

The Borrower and the Lender acknowledge that it is the obligation of the Lessee to insure the Units, in accordance with the Lease or to self-insure thereunder. The Borrower agrees to cooperate with the Lender in requiring the Lessee, in the event that it does not elect to self-insure, to deliver to the Lender copies of certificates of insurance for all applicable insurance held by it and all notices and other information which it may receive with respect to insurance so maintained by the Lessee.

5.4 Borrower's Dealings with Lease and Units

The Borrower will not accept the return of or repossess any of the Units or modify, amend or alter any of the terms or conditions of the Lease or terminate or consent to termination of the Lease, in whole or in part, or sell or otherwise dispose of any or all of the Units, nor will the Borrower provide or deliver any consent or waiver under or in connection with any provision of the Lease dealing with the Term of the Lease or any payments due thereunder, or under or in connection with any other provision of the Lease material to the Lender, without the Lender's prior written consent. Upon receipt by the Borrower of any notice given in connection with or relating to the Lease or the Units, the Borrower shall forthwith furnish a copy thereof to the Lender. In the event that any of the Units come into the Borrower's possession at any time during which there remains any amount owing to the Lender hereunder or under the Note, the Borrower will promptly notify the Lender and shall at all times prior to such notice and for a period of 30 days following the Lender's receipt of such notice, and thereafter if so requested by the Lender;

- (a) keep such Units secure, in good repair and fully insured against all usual risks naming the Lender as a named insured under the policy of insurance;
- (b) hold the same subject to the Lender's instructions; and

- (c) not permit any of such Units to pass into the possession, custody or control of any person other than the Lender without the Lender's prior written consent;

provided that any such action taken by the Borrower at the request of the Lender shall be at the cost and expense of the Lender, which cost and expense shall be added to the Indebtedness and shall be secured hereby.

ARTICLE SIX

GENERAL INDEMNITY

6.1 The Borrower shall indemnify the Lender against all claims, demands, losses, damages, costs and expenses whatsoever which the Lender may suffer or incur arising out of or in connection with any default by the Borrower hereunder or any breach of the Borrower's obligations hereunder or under the Lease including, without limitation, any failure by the Borrower or any person acting on behalf of the Borrower to perform any of its obligations under Articles Four or Five, any breach by the Borrower of any covenant, representation or warranty contained herein relating to the Units, the Lease or this agreement or arising out of or in connection with any misrepresentation hereunder. Subject to the foregoing and to Article Four, the Lender acknowledges and agrees that the Borrower has and shall have no personal liability or obligation with respect to payment of Indebtedness or Expenses, which shall be payable solely from proceeds received by the Lender from the Lender's rights and interests (including the Lender's Security Interest) in and to the Collateral as contemplated herein.

ARTICLE SEVEN

GENERAL COVENANTS, REPRESENTATIONS AND WARRANTIES OF BORROWER

7.1 The Borrower hereby covenants, represents and warrants to the Lender that:

- (a) the Borrower is a corporation duly incorporated and organized and validly existing under the laws of Canada and

has the corporate power and authority to own its property and assets and to carry on its business as now being conducted by it; the Borrower's registered office is located in the Province of Quebec, and the Borrower shall forthwith give notice to the Lender in the event that there is any change of the jurisdiction in which its chief executive office is located;

(b) the Borrower has the corporate power and authority to enter into, execute and deliver this agreement, the Note and the Operative Documents to which it is a party and to perform and carry out the terms and provisions, and has taken all necessary corporate action to authorize the execution and delivery, thereof; when executed and delivered each of this agreement, the Note and the Operative Documents to which it is a party will constitute a legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms but subject to:

(i) applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally,

(ii) the powers of the courts to grant in their discretion specific performance and injunctive relief, and

(iii) the powers of the courts to stay proceedings before them and to stay the execution of judgments;

(c) neither the execution nor delivery of this agreement or the Note, nor the transactions contemplated herein, nor compliance with the terms and conditions hereof or of the Note will:

(i) contravene any provision of law, statute, rule or regulation to which the Borrower is subject or any judgment, decree, franchise, order, rule or permit applicable to it, or

(ii) conflict with, or result in any breach of, or constitute a default under, or result in the creation or imposition of any lien, security interest, charge or encumbrance upon the Collateral pursuant to the terms of any agreement or other instrument to which the Borrower is a party or is subject or by which it may be bound (other than the Security Interest);

- (d) each of the Operative Documents, the Lease and all related documents, originals or conformed copies of which have been delivered to the Lender contemporaneously herewith, are genuine and in all respects what they purport to be, and are valid and binding obligations of the parties thereto, and the Borrower shall not (without the prior written consent of the Lender) enter into any agreement or do any other thing to derogate from its grant hereunder or prejudice the rights of the Lender hereby created;
- (e) the Lease is a good, valid and subsisting lease of the Units and is in full force and effect unamended, and, to the best of the knowledge, information and belief of the Borrower, there exists no Event of Default under the Lease nor has any event occurred which would, with the giving of notice or lapse of time or both, constitute an Event of Default thereunder; the Borrower has not given any consents, approvals or waivers under or in respect of the Lease;
- (f) there has been no prepayment of any amount on account of Lease Indebtedness; the Term of the Lease has commenced for all Initial Units prior to the date hereof, and the Term expires on October 1, 2002; and the first Rental payment becomes due and payable on October 27, 1992, and the first payment of Lease Indebtedness becomes due and payable on April 1, 1993;
- (g) to the best of the knowledge, information and belief of the Borrower, SLX has duly and punctually observed and performed all covenants and obligations of any kind whatsoever on its part to be observed and performed under the Lease to the date hereof, and there are no set-offs, counter-claims or defences on the part of the Lessee with respect to its obligations to make payments under the Lease, and the Lessee is obligated to make such payments without interruption or abatement and free and clear of all claims, demands or set-offs against SLX or the Borrower, and notwithstanding, without limitation, (i) any loss or damage to or destruction of any of the Units (subject to termination of the Lease as it relates to any Unit in respect of which the Lessee has made a payment of the required amount of Stipulated Loss Value in accordance with the terms thereof), (ii) any modification, amendment or termination of the Lease made without the consent of the Lender, (iii) any assignment by the Lessee of

any of its rights or obligations under the Lease, or (iv) any failure of, defect in or breakdown of any Unit;

- (h) the Initial Units have been accepted by the Lessee under the Lease and, to the best of the knowledge, information and belief of the Borrower, the Units are in good operating condition and repair and have been properly maintained as required by the Lease to the date hereof; notwithstanding the foregoing, the Borrower makes no warranty in respect of the condition or repair of the Units either express or implied, including any implied warranty as to merchantability, durability fitness for particular purpose, design or condition and expressly disclaims liability for lost profit or indirect, incidental, consequential or commercial losses and all other obligations or liabilities in connection or resulting from such merchantability, durability, fitness, design or condition;
- (i) good and marketable title to the Units will, upon Closing, be vested in the Borrower; and the Collateral (including, without limitation, the Lease and the other Lease Documents) shall, on the Closing Date, be free and clear of all defences, set-offs, counterclaims, liens, taxes, charges, security interests and encumbrances, except for the Security Interest and the Lessee's rights under the Lease and except for:
 - (i) any lien, charge, prior assignment or encumbrance originating prior to the respective acquisition dates of the Units by SLX's immediate predecessors in title thereof (of which the Borrower has no actual knowledge but in respect of which it gives no representation or warranty to the Lender), and
 - (ii) any lien, charge, prior assignment or encumbrance originating after the respective acquisition dates of the Units by SLX in respect of which the Borrower (and the Lender, by virtue of section 3.1 and the Lessee's Acknowledgement and Undertaking of even date addressed to the Lender and the Borrower) has recourse against the Lessee under the Lease (of which the Borrower also has no actual knowledge but in respect of which it gives no representation or warranty to the Lender);
- (j) all notices required to be given to third parties in connection with the granting of the Security Interest hereunder and all

approvals required from third parties in connection herewith (including any notice to or approval of the Lessee) will have been duly given or received on or prior to Closing;

- (k) the Borrower has completed or will forthwith complete all filings or recordings with respect to the protection of the Borrower's interest in the Lease and the Units necessary by law or reasonably prudent for the protection of such interest, and the Borrower will complete or cause to be completed at its sole cost any further filings or recordings or renewals as the Lender may reasonably request; furthermore, the Lender may undertake any such filings or recordings under personal property security legislation for the account and on behalf of the Borrower but without obligation or responsibility for any omission or invalid accomplishment; and
- (l) the Borrower will not, without the prior written consent of the Lender, create, assume or suffer to exist any security interest, mortgage, charge, pledge, lien or other encumbrance on the Collateral or on all or any of its rights, interests and benefits under or arising out of the Lease or this agreement, save and except for the Security Interest and for the rights of the Lessee under the Lease.

ARTICLE EIGHT

DEFAULT AND REMEDIES

8.1 Events of Default

For purposes of this agreement the following shall be and be deemed to be events of default: (i) any default in the payment of principal or interest payable under the Note where such default continues for a period of more than 5 days after the date on which the same became payable, (ii) any default in the payment of any other amount payable hereunder or in performance of any obligation of the Borrower under this agreement or under the Note (other than payment of principal or interest payable under the Note, but for greater certainty including, without limitation, any default by the Borrower pursuant to Article Four) which default, if it can be remedied, continues for a period of more than 5 days after the date on which such payment became due or such obligation was required to be performed, (iii) any breach by the Borrower of any covenant, warranty or representation hereunder, or if any such representation or

warranty shall prove to have been false or misleading in any respect as of the date of this agreement or as of the Closing Date, provided that if the same is reasonably capable of being cured, the Borrower shall be allowed a period of 30 days after the Lender has given notice thereof to the Borrower to cure such default, (iv) if an Event of Insolvency occurs with respect to the Borrower, or (v) if an Event of Default occurs under the Lease.

8.2 Restricted Recourse Defaults

If any event of default described in clause 8.1(i) or (v) occurs (other than a default under clause 8.1(i) which is also a default under clause 8.1(ii) as a result of failure by the Borrower to remit any amount pursuant to Article Four), then the Lender's rights and remedies shall be as against the Lessee under the Lease and this agreement and the Lender may, in its sole discretion, declare the Note to be in default and all amounts owing thereunder to be due and payable, whereupon the unpaid principal of the Note together with accrued interest shall immediately become due and payable, and in conjunction therewith or in the alternative the Lender shall be entitled to exercise any rights and remedies of the lessor under the Lease and to realize on and under the Security Interest, the whole subject to section 8.7.

8.3 Full Recourse Defaults

If any event of default occurs hereunder, other than one described in section 8.2 but including, for greater certainty, a default under clause 8.1(i) arising as a result of failure by the Borrower to remit any amount pursuant to section 4.3, the Lender's rights and remedies shall be as against the Borrower hereunder and under the Note, and in such circumstances the Lender may realize on and under the Security Interest and may exercise any other rights and remedies which it may have hereunder against the Borrower (but for greater certainty subject to the rights of the Lessee under the Lease and subject to section 8.7).

8.4 Remedies on Enforcement

(1) If any event of default described in section 8.1 has occurred and is continuing such that the Lender is entitled to realize on and under the Security Interest, the Lender may, in addition to any other rights it may have, exercise all rights and remedies not inconsistent with the terms of the Lease, the Note and this agreement with respect to the Collateral available to it under applicable law and may, without limitation, from time to time take possession of all or any of the Collateral, sell at public or private sale or otherwise realize upon all or any of the Collateral (subject to sections 8.2 and 8.3) for such price in money or other consideration or

upon credit, or for part credit, and upon such other terms and conditions as it deems best, the whole without advertisement or notice to others except as may be required by law.

(2) All proceeds of any collection or realization under the Security Interest, after deduction of accrued principal and interest, where applicable, as well as expenses of collection, repossession, refurbishment, transportation, storage and sale incurred by the Lender, and all expenses, costs, charges or disbursements made or incurred by the Lender pursuant to the Lease and in connection with any default or the remedying of any such default of the Lessee thereunder, together with all legal fees on a full indemnity basis incurred in connection therewith or with the collection of any sum due hereunder or under the Note or the Lease (herein collectively called the "Expenses", all of which shall be added to the Indebtedness and shall be secured hereby), may be held by the Lender as security hereunder pursuant to section 3.1 and applied against (i) if the default giving rise to such realization and proceeds was a default referred to in section 8.3, the Borrower's obligations hereunder and under the Note, or (ii) if the default giving rise to such realization and proceeds was a default referred to in section 8.2, the obligations owing under the Lease and under the Note. If after such collection or realization there is any excess of proceeds remaining after the deduction of Expenses and of amounts owing hereunder and under the Note or the payment of which is secured hereby (including amounts owing due to acceleration), then the Lender shall deliver such excess to the Borrower or the Lessee, as applicable, and if there is any deficiency after such collection or realization in respect of a default referred to in section 8.3, then subject to section 8.7 the Borrower shall remain liable therefor to the Lender and shall forthwith pay the amount of such deficiency to the Lender.

(3) All amounts payable by the Borrower hereunder or in connection with any default referred to in section 8.3, shall bear interest, payable on demand, at the greater of the rate set forth in section 2.2 and the Prime Rate accruing from the date upon which payment was due to the date of payment thereof to the Lender.

(4) In the event of a default by the Lessee in its obligations under the Lease, or upon repossession by the Lender of any of the Units, the Borrower shall cooperate with the Lender and, at the request of the Lender, use its best efforts to assist the Lender in disposition of or re-leasing such Units.

(5) If an event of default referred to in section 8.2 occurs, the Lender agrees that it will give the Borrower notice in writing of such default prior to its taking possession of any Collateral or other steps to

realize upon the Collateral in consequence of such default. Such notice shall, in addition to advising the Borrower of such default, specify the amount then required to redeem the Collateral (including the amount of all then outstanding principal, accrued interest and Expenses). Upon and following receipt of such notice the Borrower shall have the right, but not the obligation, to redeem the Collateral by paying to the Lender in full, upon terms satisfactory to the Lender, all then outstanding principal, interest and Expenses and other Indebtedness outstanding or due hereunder or under the Note. The Borrower's right of redemption under this section shall exist only so long as the Lender is in a position to release its interest in the Collateral to the Borrower. Accordingly, such right of redemption shall be extinguished in the event that the Lender enters into any commitment to dispose of or otherwise realize upon any of the Collateral. This right of redemption is supplemental to and not in derogation of the Borrower's rights pursuant to Part V of the Personal Property Security Act (Ontario), as the same may hereafter be amended, supplemented, substituted for or replaced. Notwithstanding anything to the contrary herein, the Lender shall not be required to give the notice referred to in this subsection in the event that it reasonably believes that any delay in taking possession or otherwise acting upon its rights in respect of the Collateral hereunder or under the Lease would prejudice its interests in the Collateral or the value thereof, and the Lender shall have no liability to the Borrower or to any other person by reason of any failure to give the notice contemplated by this subsection in any circumstances, including liability for any damages, loss of profits, expenses, costs or any other liabilities or loss suffered or incurred by the Borrower in consequence of the Lender's failure to give notice under this section for any reason.

8.5 Protective Disbursements Under Lease

Without limiting the generality of the foregoing, in the event of the occurrence of an Event of Default under the Lease, and in the event that the Lender, in exercise of any of its rights hereunder or in the event of exercise by the Lender of any right of the Lessor under the Lease, makes or incurs any expenses, costs, charges or disbursements pursuant to the Lease in connection with any such default or the remedying of such default of the Lessee thereunder, the Lender shall be entitled to demand payment therefor from the Lessee in accordance with the Lease and shall be entitled to interest thereon as provided for therein, and all such amounts shall be added to the Indebtedness and shall be secured by the Security Interest.

8.6 Waivers

No delay or omission to exercise any right or remedy accruing to the Lender hereunder or under the Lease or otherwise shall impair any such right or remedy or be construed as a waiver of any breach or default nor shall any waiver of a single breach or default be deemed a waiver of any other. All waivers or amendments shall be in writing and signed by the parties. The Lender's rights hereunder are cumulative and in addition to and not in substitution for any other rights and remedies which it may have under any other agreement or at law, and the Lender may exercise or enforce any one or more of such rights or remedies successively or concurrently. To the maximum extent permitted by law, the Borrower hereby waives all rights, benefits and protection of any statutory provision from time to time with respect hereto which would in any manner affect, restrict or limit the rights of the Lender under this agreement including, without limitation, all rights, benefits and protections given or afforded to the Borrower by The Limitation of Civil Rights Act (Saskatchewan), including section 18 thereof, as the same may be from time to time amended, supplemented, substituted for or replaced. The Borrower also waives and assigns to the Lender the right of any statutory exemption from execution or otherwise, and waives any right to demand security for costs in the event of litigation.

8.7 Limited Recourse

Notwithstanding anything to the contrary herein, for greater certainty it is confirmed that the Borrower shall have no liability to the Lender hereunder, and the assets (other than the rights and interest of the Borrower in and to the Collateral) of the Borrower shall be free from enforcement proceedings hereunder, except to the extent of amounts received by the Borrower on account of Lease Indebtedness and except to the extent of claims resulting from any of the events of default set forth in subparagraphs (ii) or (iii) of section 8.1.

ARTICLE NINE

DISCHARGE

9.1 Upon payment in full as provided for in this agreement of all amounts due and owing to the Lender hereunder and pursuant to the Note, and of all amounts the payment of which is secured hereby, the

Note shall be cancelled and shall be returned to the Borrower, and the Security Interest shall thereupon be and be deemed to be released and discharged without requirement of any further act on the part of the Lender; and the Lender shall, at the request and expense of the Borrower, its successors or assigns, execute and delivery to the Borrower, its successors or assigns, such deeds and other instruments as shall be requisite to cancel and discharge the Security Interest.

ARTICLE TEN

GENERAL

10.1 Entire Agreement

Except as expressly contemplated or provided herein, this agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as stated herein and in the Lease Documents, contains all of the representations and agreements of the parties. There are no oral representations or agreements of any kind between the parties with respect to the subject matter hereof. None of the terms hereof may be modified except by a writing signed by authorized representatives of the parties hereto.

10.2 Further Assurances

The Borrower covenants and agrees that it will at the request of the Lender at any time or times hereafter do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances, consents, powers of attorney, assurances or other documents and take all such other actions as may be reasonably required for the assigning, transferring, granting, conveying, assuring and confirming to the Lender, or for aiding or assisting in the reducing to possession by the Lender, any of the interests or assets intended to be hereby transferred, conveyed and assigned, including without limitation all such actions as may be required to transfer to the Lender the benefit of any insurance proceeds on the Units or to register the Lender's Security Interest in any appropriate jurisdiction as may be required by the Lender.

10.3 Effective Date

This agreement is to be effective as of the date first above written.

10.4 Notices

All notices or other communications authorized or required to be given pursuant to this agreement shall be in writing and either delivered by hand, mailed in Canada by registered first class air mail, postage prepaid, or sent by telecommunication as follows:

In the case of the Borrower:

12th Floor, South Tower
Royal Bank Plaza
Toronto, Ontario
M5J 2J5

Attention: President

Fax: (416) 974-8542

In the case of the Lender:

255 Dufferin Avenue
London, Ontario
N6A 4K1

Attention: Vice President, Corporate Lending

Fax No.: (519) 432-9035

Any such notice or other communication shall be deemed to have been given and received, if delivered on the day on which it was delivered, and if mailed on the third business day following the date on which it was mailed, and if sent by telecommunication on the first business day following the day on which it was dispatched. No party hereto shall mail any notice or other communication hereunder during any period in which Canadian postal workers are on strike or if such strike is imminent and may reasonably be anticipated to affect the normal delivery of mail. Either party hereto may change its address for receipt of notices or other communications by giving notice thereof to the other party in accordance with this section.

10.5 **Counterparts**

This agreement may be executed by the parties hereto in counterpart and by each party separately on a separate counterpart, each such counterpart when so executed and delivered to be an original but all such counterparts shall together constitute one and the same instrument.

10.6 **Assignment**

The Borrower shall not assign this agreement or the Lease or any of its rights or obligations hereunder or thereunder without the prior written consent of the Lender; provided that the Borrower shall be entitled to assign this agreement and the Lease in conjunction with a bona fide corporate reorganization in which a successor corporation which is then affiliated with the Borrower (within the meaning of that term in the Canada Business Corporations Act) will succeed to the obligations of the Borrower and enters into an assumption agreement with the Lender to that effect. In the event of any such assignment the Borrower shall forthwith give notice and particulars thereof to the Lender. No such assignment shall relieve the Borrower of any of its obligations hereunder unless otherwise agreed in writing by the Lender. Subject thereto, this agreement shall enure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.

10.7 **Receipt of Copy**

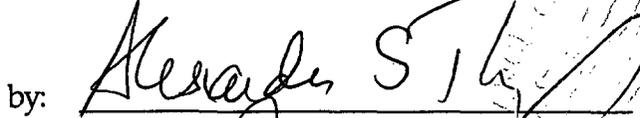
The Borrower acknowledges receipt of a copy of this agreement on the date hereof.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of October 27, 1992.

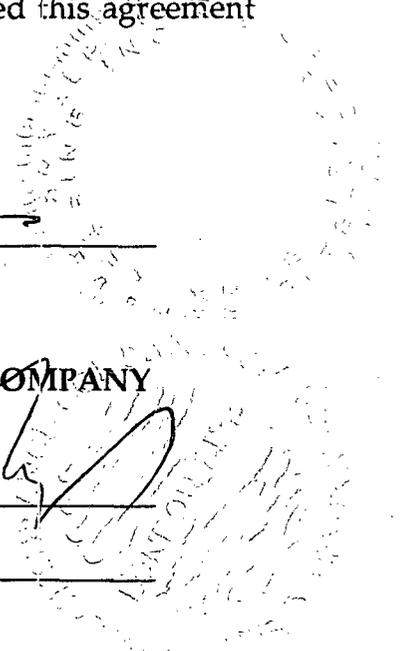
ROYAL BANK LEASING INC.

by: 

LONDON LIFE INSURANCE COMPANY

by: 

by: 



SCHEDULE A

DESCRIPTION OF INITIAL UNITS

TYPE	SPECIFICATIONS	BUILDER	IDENTIFICATION NUMBERS (INCLUSIVE)	QUANTITY
Bi-level flat cars	Constructed according to CN specification F-150-4 dated October 1991, CN general arrangement drawing 9H-51908 and such other modifications agreed to by the Lessee and the builder	National Steel Car Limited Racks by Thrall Car Manufacturing Company	CN 710807- CN 710920	114
Tri-level flat cars	Constructed according to CN specification F-140-1 and CN general arrangement drawing 9H-37476	National Steel Car Limited Racks by Thrall Car Manufacturing Company	CN 704550- CN 705675*	126

* These Units were renumbered in 1992. Previously, these Units bore the identification numbers set forth in the Annex hereto.

ANNEX TO SCHEDULE "A"

Prior Unit Identification Number	Current Unit Identification Number
CN 700604	CN 704550
CN 700554	CN 704551
CN 700530	CN 704552
CN 700503	CN 704553
CN 700541	CN 704554
CN 700512	CN 704555
CN 700627	CN 704556
CN 700545	CN 704557
CN 700648	CN 704558
CN 700637	CN 704559
CN 700528	CN 704560
CN 700511	CN 704561
CN 700588	CN 704562
CN 700583	CN 704563
CN 700614	CN 704564
CN 700509	CN 704565
CN 700613	CN 704566
CN 700515	CN 704567
CN 700610	CN 704568
CN 700631	CN 704569
CN 700560	CN 704570
CN 700510	CN 704571
CN 700580	CN 704572
CN 700582	CN 704573
CN 700591	CN 704574
CN 700544	CN 704575
CN 700543	CN 704576
CN 700522	CN 704577
CN 700634	CN 704578
CN 700521	CN 704579
CN 700518	CN 704580
CN 700625	CN 704581
CN 700561	CN 704582
CN 700523	CN 704583
CN 700553	CN 704584
CN 700544	CN 704585
CN 700577	CN 704586
CN 700635	CN 704587
CN 700647	CN 704588
CN 700573	CN 704589
CN 700646	CN 704590
CN 700626	CN 704591
CN 700639	CN 704592
CN 700567	CN 704593
CN 700531	CN 704594
CN 700504	CN 704595
CN 700571	CN 704596
CN 700562	CN 704597
CN 700513	CN 704598
CN 700564	CN 704599
CN 700537	CN 704600

Prior Unit
Identification Number

Current Unit
Identification Number

CN 700568
CN 700520
CN 700623
CN 700500
CN 700632
CN 700624
CN 700551
CN 700555
CN 700533
CN 700525
CN 700578
CN 700602
CN 700618
CN 700535
CN 700619
CN 700563
CN 700593
CN 700536
CN 700617
CN 700565
CN 700633
CN 700584
CN 700527
CN 700642
CN 700572
CN 700609
CN 700559
CN 700603
CN 700534
CN 700552
CN 700616
CN 700594
CN 700649
CN 700579
CN 700589
CN 700641
CN 700607
CN 700570
CN 700597
CN 700590
CN 700600
CN 700611
CN 700557
CN 700558
CN 700615
CN 700612

CN 704601
CN 704602
CN 704603
CN 704604
CN 704605
CN 704606
CN 704607
CN 704608
CN 704609
CN 704610
CN 704611
CN 704612
CN 704613
CN 704614
CN 704615
CN 704616
CN 704617
CN 704618
CN 704619
CN 704620
CN 704621
CN 704622
CN 704623
CN 704624
CN 704625
CN 704626
CN 704627
CN 704628
CN 704629
CN 704630
CN 704631
CN 704632
CN 704633
CN 704634
CN 704635
CN 704636
CN 704637
CN 704638
CN 704639
CN 704640
CN 704641
CN 704642
CN 704643
CN 704644
CN 704645
CN 704646

Prior Unit
Identification Number

CN 700522
CN 700526
CN 700592
CN 700505
CN 700595
CN 700548
CN 700645
CN 700508
CN 700622
CN 700630
CN 700643
CN 700546
CN 700575
CN 700586
CN 700566
CN 700502
CN 700620
CN 700585
CN 700547
CN 700574
CN 700519
CN 700549
CN 700536
CN 700599
CN 700506
CN 700516
CN 700501
CN 700606

Current Unit
Identification Number

CN 704647
CN 704648
CN 704649
CN 704650
CN 704651
CN 704652
CN 704653
CN 704654
CN 704655
CN 704656
CN 704657
CN 704658
CN 704659
CN 704660
CN 704661
CN 704662
CN 704663
CN 704664
CN 704665
CN 704666
CN 704667
CN 704668
CN 704669
CN 704670
CN 704671
CN 704672
CN 704673
CN 704674
CN 704675

EXHIBIT "B"

LEASE OF EQUIPMENT #40

B E T W E E N:

SLX CANADA INC.

as Lessor

- and -

CANADIAN NATIONAL RAILWAY COMPANY

as Lessee

**MADE as of June 1, 1992
and amended and re-executed
as of October 27, 1992**

MJP

I N D E X

	<u>Page</u>
RECITALS	1
ARTICLE I - INTERPRETATION	1
ARTICLE II - DELIVERY AND ACCEPTANCE OF UNITS	4
ARTICLE III - RENTALS	4
ARTICLE IV - IDENTIFICATION MARKS; REGISTRATIONS	5
ARTICLE V - TAXES	5
ARTICLE VI - PAYMENT FOR CASUALTY OCCURRENCES	7
ARTICLE VII - WAIVERS AND DISCLAIMER OF WARRANTIES	9
ARTICLE VIII - LESSOR'S REPRESENTATIONS AND WARRANTIES	11
ARTICLE IX - LESSEE'S REPRESENTATIONS AND WARRANTIES	12
ARTICLE X - MAINTENANCE; ALTERATIONS; INSPECTIONS	13
ARTICLE XI - FINANCIAL AND OTHER REPORTS	14
ARTICLE XII - INDEMNIFICATION	14
ARTICLE XIII - INSURANCE	16
ARTICLE XIV - ADDITIONAL COVENANTS OF THE LESSEE	16
ARTICLE XV - DEFAULT AND ENFORCEMENT	16
ARTICLE XVI - ASSIGNMENT; POSSESSION AND USE	19
ARTICLE XVII - PURCHASE OPTIONS	20
ARTICLE XVIII - RETURN OF UNITS	20
ARTICLE XIX - INCOME TAX REPRESENTATION AND INDEMNITY	21
ARTICLE XX - MILEAGE ALLOWANCE; SUBROGATION	21
ARTICLE XXI - FURTHER ASSURANCES	22
ARTICLE XXII - INTEREST ON ARREARS	22
ARTICLE XXIII - NOTICES	22

AKW

ARTICLE XXIV	- SEVERABILITY; EFFECT AND MODIFICATION OF LEASE	23
ARTICLE XXV	- EXECUTION AND COUNTERPARTS	24
ARTICLE XXVI	- GOVERNING LAW AND JURISDICTION	24
ARTICLE XXVII	- EFFECTIVE DATE	24

Handwritten mark

LEASE

THIS LEASE OF EQUIPMENT is made as of June 1, 1992 and amended and re-executed as of October 27, 1992

BETWEEN

SLX CANADA INC. (hereinafter called the "Lessor"), a company incorporated under the laws of Canada and having an office at 1500 Bow Valley Square IV, 250 6th Avenue S.W., Calgary, Alberta, T2P 3H7, as owner,

- and -

CANADIAN NATIONAL RAILWAY COMPANY (hereinafter called the "Lessee"), a corporation continued under the laws of Canada and having an office at 935 de la Gauchetiere St. West, Montreal, Quebec, H3B 2M9, as lessee.

WHEREAS the Lessor, at the request of the Lessee, has purchased the Units (as hereinafter defined) for the sole purpose of leasing the same to the Lessee hereunder;

AND WHEREAS the Lessee desires to lease from the Lessor, and the Lessor desires to lease to the Lessee, all of the Units that are duly delivered and accepted as provided herein at the rentals and upon the terms and conditions hereinafter provided.

NOW THEREFORE in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby agrees to lease to the Lessee and the Lessee hereby agrees to lease from the Lessor, for the Term, the Units so delivered and accepted as provided herein, upon the following terms and conditions:

ARTICLE I

INTERPRETATION

1.1 The following terms, whenever used in this Lease and any Schedules hereto, shall have the following meanings, unless the context otherwise requires:

"**Arrears**" means the total of all Rentals and other moneys, if any, due and owing by the Lessee hereunder, while unpaid.

MAP

"Banking Day" means any day except a Saturday, a Sunday or other day on which banks generally are not open for money market and foreign exchange dealings at their principal offices in each of Toronto, Calgary and Montreal.

"Casualty Notice Date" has the meaning set forth in Schedule B hereto.

"Casualty Occurrence" means an event in which any Unit shall be or become lost, stolen, destroyed, irreparably damaged or damaged beyond economic repair, from any cause whatsoever, or taken or requisitioned by condemnation, expropriation or otherwise for a period in excess of ninety (90) days during the Term of this Lease or during the storage and delivery referred to in Section 18.1.

"Casualty Payment Date" has the meaning set forth in Schedule B hereto.

"Dollars" or **"\$"** means lawful money of Canada.

"Event of Default" shall have the meaning ascribed thereto in Section 15.1 hereof.

"Lease", **"this Lease"**, **"herein"**, **"hereof"**, **"hereunder"**, or other like words shall mean and include this Lease of Equipment together with the Schedules hereto (which form an integral part hereof) and any other agreement supplementary hereto.

"Lease Commencement Date" means with respect to each Unit, the date the same shall be deemed to be delivered to and accepted by the Lessee in accordance with Section 2.1 hereof.

"Lease Rate" means an implicit discount rate that, at the date of this Lease, causes the aggregate present value of:

- (i) the rental payments under this Lease (excluding any payments which are contingent on the extension of, exercise of or non-exercise of a termination or purchase option under this Lease); and
- (ii) the purchase option price payable to the Lessor upon the exercise by the Lessee of any purchase option at the end of the Term of this Lease,

to be equal to the cost of all the Units to the Lessor.

"Lease Termination Date" has the meaning set forth in Schedule B hereto.

MAT

"Lessee" has the meaning ascribed thereto in the recitals to this Lease.

"Lessor" has the meaning ascribed thereto in the recitals to this Lease.

"Office" means the office of the Lessor referred to in the first paragraph of this Agreement (Attention: President) or such other office as the Lessor may notify the Lessee from time to time in accordance with Section 23.1 hereof.

"Period" means the period from the Rental Commencement Date to April 1, 1993 and, thereafter, each six month period during the Term.

"Prime Rate" means the annual rate of interest established by Royal Bank of Canada from time to time at its main branch in Toronto as a reference rate then in effect for determining interest rates on Canadian dollar commercial loans made in Canada; any change in such rate is to be effective on the date such change is established.

"Rental" means the rental payable for each Unit subject to this Lease for each Period, as set forth in Schedule B hereto.

"Rental Commencement Date" has the meaning set forth in Schedule B hereto.

"Stipulated Loss Value" means at any particular time the applicable amount determined in accordance with Schedule D hereto.

"Temporary Alterations" has the meaning ascribed thereto in Section 10.2 hereof.

"Term" means the period commencing as to each Unit on the Lease Commencement Date with respect thereto, to and including the Lease Termination Date.

"Units" means the units of equipment described in Schedule A hereto.

1.2 Any reference in this Lease to any act or statute or section thereof shall be deemed to be a reference to such act or statute or section as amended, re-enacted, substituted for or replaced from time to time. Any reference in this Lease to an agreement shall be deemed to be, except as otherwise expressly provided, a reference to such agreement as amended, modified or supplemented from time to time.

MSA

ARTICLE II

DELIVERY AND ACCEPTANCE OF UNITS

2.1 The Units will be tendered to the Lessee by or on behalf of the Lessor. Upon such tender, the Lessee will cause an authorized representative to inspect each Unit, and if such Unit is found to be in good order, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance and delivery substantially in the form attached as Schedule C hereto, whereupon each such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

ARTICLE III

RENTALS

3.1 The Lessee shall pay to the Lessor an interim rental payment in an amount and on the date as set out in or determined in accordance with Schedule B.

3.2 From and after the Rental Commencement Date, the Lessee shall pay to the Lessor Rental for each Unit subject to this Lease for each Period, together with the other applicable payments herein provided. Rental in respect of each Period shall be payable in the manner set forth in Schedule B.

3.3 This Lease is a net lease and the Lessee shall not be entitled to any abatement, reduction or set-off against payments hereunder including, but not limited to, abatement, reductions or set-offs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in the title, condition, operation or fitness for use of, or any damage to or loss of the possession or loss of use of or destruction of all or any of the Units from whatsoever cause, the prohibition of or other restriction against, use of all or any of the Units by the Lessee or any other person, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease or any other document or instrument, any breach, fundamental or otherwise, by the Lessor of any representations, warranties or covenants of the Lessor contained herein, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Rental payments and other amounts payable by the Lessee

MAP

hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

3.4 Whenever any payment shall be stated to be due on a day which is not a Banking Day, such payment shall be made on the next succeeding Banking Day.

ARTICLE IV

IDENTIFICATION MARKS; REGISTRATION

4.1 The Lessee shall cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto. The Lessee shall not change or permit to be changed the identifying number of any Unit except in accordance with a statement of new identifying numbers to be substituted therefor, which statement shall be promptly filed with the Lessor by the Lessee and filed, recorded or deposited at the Lessee's cost and expense in all public offices where this Lease has been or is required to be filed, recorded or deposited.

4.2 Except as above provided, the Lessee shall not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or any permitted sublessee on equipment used by them of the same or a similar type, for convenience of identification of their rights to use the Units as permitted under this Lease.

4.3 The Lessee agrees to make the registrations, filings, deposits and recordings in respect of this Lease and the Units as set forth in Schedule B hereto, at the Lessee's sole cost and expense. The Lessee will promptly furnish to the Lessor evidence of all such filing, registering, depositing and recording.

ARTICLE V

TAXES

5.1 The Lessee agrees to pay and to indemnify and hold the Lessor harmless from, on an after-tax basis, all taxes, assessments, duties, license and registration fees and other governmental charges, including penalties and interest (hereinafter collectively referred to as "Taxes") imposed, levied or assessed by any federal, provincial or local government or

MAP

taxing authority in Canada, or, if as a result of the operation, possession or use of any Unit by or through the Lessee in any foreign country, by any government or taxing authority in a foreign country, against such Unit or upon or measured by any interest therein, or upon or with respect to the purchase, ownership, delivery, leasing or possession thereof by the Lessor, or upon or with respect to the use, possession or operation thereof by the Lessee, or on account of or measured by the rentals, earnings or gross receipts arising pursuant to this Lease (including any payment or indemnity under this Lease), provided that the Lessee shall not be required to pay the same (or any amount by way of indemnity of the Lessor or otherwise pursuant to this Section) if and so long as it shall in good faith and with due diligence and by appropriate legal or administrative proceedings contest the validity, applicability or amount thereof (but only so long as such proceedings shall stay the collection thereof and shall not involve any risk of the sale, forfeiture or loss of any Unit or any interest therein). If a claim is made against the Lessor for any Taxes, then the Lessor shall use its reasonable efforts to notify the Lessee promptly and, if so requested by the Lessee, shall at the Lessee's expense contest the validity and amount of any Taxes which it may be required to pay and in respect of which it is entitled to reimbursement by the Lessee under this Section so long as the rights or interests of the Lessor hereunder or in such Unit will not be materially endangered thereby.

5.2 Notwithstanding the provisions of Section 5.1 of this Article V, the Lessee shall have no obligation thereunder as to:

- (i) any Taxes on, based on or measured by the net income of the Lessor imposed (i) by Canada, a province or other local taxing authority in Canada or (ii) by any foreign government or any taxing authority or governmental subdivision of a foreign country to the extent allowed as a credit against income taxes imposed by Canada, a province, or other local taxing authority taking into account any applicable limitation on the aggregate amount of such credit and after assuming that all other Taxes of the Lessor for the same or prior periods which qualify for such credit are first allowed;
- (ii) any Taxes on, based on, or measured by, the net income of the Lessor imposed by any foreign government or any taxing authority or governmental subdivision of a foreign country by virtue of the Lessor being engaged in business in such foreign country through activities unrelated to the transactions contemplated by this Lease to the extent the Lessee's obligation as to such Taxes would otherwise exceed the amount of such Taxes

MAF

which would be payable if the Lessor were ~~not so~~ engaged in such business; or

- (iii) any Taxes which are or may become imposed by Canada on rental or similar payments being made under this Lease to a non-resident of Canada (as defined in the Income Tax Act (Canada));

5.3 In the event any reports with respect to Taxes are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor in such Units, or notify the Lessor of such requirement, and will make such reports in such manner as shall be satisfactory to the Lessor.

5.4 In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this Article V, such liability shall continue, notwithstanding the expiration of this Lease, until all such Taxes are paid or reimbursed by the Lessee.

ARTICLE VI

PAYMENT FOR CASUALTY OCCURRENCES

6.1 The Lessee shall on the Casualty Notice Date in each calendar year during the Term provide written notice to the Lessor of each Unit which has suffered a Casualty Occurrence during the one year period ending 30 days prior to that date. On the Casualty Payment Date of each calendar year during the Term the Lessee shall pay to the Lessor the Stipulated Loss Value, determined as at such date, of each Unit reported by the Lessee to have suffered a Casualty Occurrence during the one year period ending 30 days prior to the Casualty Notice Date of such calendar year and of each Unit which was reported to have suffered a Casualty Occurrence in any previous year and for which no Stipulated Loss Value has been paid, plus the Rental due on the Casualty Payment Date in respect of each such Unit, and only after making such total payment the Rental for each such Unit shall cease to accrue and the term of this Lease as to each such Unit shall terminate. The Lessor shall, upon request by the Lessee, after payment by the Lessee of the amounts described in the preceding sentence, deliver to or upon the order of the Lessee a bill of sale (without recourse, representations or warranties) substantially in the form of Schedule H hereto for each such Unit executed by the Lessor and such other documents as may reasonably be required in order to transfer to the Lessee such title to such Unit as the Lessor received upon acquiring such Unit, free and clear of all liens, security interests and other encumbrances arising through the Lessor.

MHP

Notwithstanding the foregoing, the Lessee shall not be required to make any payment under this section on a Casualty Payment Date unless such payment due exceeds \$100,000. However, the Rental in respect of each Unit shall continue to accrue until the Lessee has made the payments as described above.

For greater certainty, the Lessee shall within 90 days of the Lease Termination Date pay to the Lessor the Stipulated Loss Value, determined as at the Lease Termination Date, of each Unit which has suffered a Casualty Occurrence during the Term and in respect of which the Lessee has not previously paid the Stipulated Loss Value pursuant to this Section 6.1.

6.2 The rights and remedies of the Lessor to enforce or recover any of the Rentals or any other amounts which are due and payable hereunder prior to the incurring of the obligation to pay the Stipulated Loss Value of any Unit shall not be affected by reason of the Casualty Occurrence with respect to such Unit.

6.3 Notwithstanding Section 6.1, the Lessee will have the option with respect to one or more Units which have suffered a Casualty Occurrence to give notice to the Lessor that it wishes to replace such Unit(s) ("Replaced Unit(s)") with other Unit(s) of equivalent value, age, residual value expectation, utility and condition ("Replacement Unit(s)"), such Replacement Unit(s) to be received by the Lessor as full compensation for the loss of the Replaced Unit(s) and the Lessee shall not be required to pay to the Lessor the Stipulated Loss Value for such Unit(s). Notice of the Lessee's election to replace a Unit or to pay the Stipulated Loss Value will be given to the Lessor on the Casualty Notice Date and will specify the Replaced Unit and the Replacement Unit, if the Lessee wishes to avail itself of the replacement option set out in this Section 6.3. The Rental for each Replaced Unit will cease on the relevant Casualty Payment Date at which time Rental for the corresponding Replacement Unit will commence and will be equal to that on the Replaced Unit and will continue without abatement or interruption regardless of the occurrence of the Casualty Occurrence. If any Unit which has suffered a Casualty Occurrence is replaced as provided in this Section, the Lessee will, on the Casualty Payment Date, sign all such documents and do all such things as may be reasonably required by the Lessor to convey good and marketable title to the relevant Replacement Unit to the Lessor free and clear of all hypothecs, mortgages, charges and encumbrances. The Replacement Unit will be deemed to be a Unit for purposes of the Lease and all terms and conditions of the Lease, including those pertaining to the term, will continue to apply to the Replacement Unit as a Unit after the Casualty Payment Date.

MAP

ARTICLE VII

WAIVERS AND DISCLAIMER OF WARRANTIES

7.1 The Lessee acknowledges that the Units have been selected by the Lessee alone, that neither the Lessor nor its employees or agents is a manufacturer, dealer or distributor of the Units, or expert with respect thereto, that the manufacturer of the Units is not, and has not been, an agent of the Lessor with respect to the Units, and, accordingly, the Lessee without prejudice to any rights which the Lessee may have against the manufacturer of the Units or others, and subject as provided in Section 12.1, hereby releases and forever discharges the Lessor from any and all actions, causes of action, debts, damages, costs, expenses, claims, demands, rights or defences which, at any time now or hereafter may arise out of or in relation to the Units. The Lessee agrees that the Lessee has made or shall in fact make all appropriate and prudent studies in connection with the selection of the Units and all the tests and inspections thereof, as would a careful and prudent purchaser. As to all matters of selection, design, patenting, industrial design, trade marks, construction, condition, safety, suitability, fitness, capacity, performance, durability of the Units and all matters whatsoever with respect to the acceptability of the Units, the Lessee shall look only to, and shall rely solely upon the manufacturer of the Units or others, and not to or upon the Lessor or the Lessor's employees or agents.

7.2 The Lessor shall have no responsibility or liability under this Lease to the Lessee or any other person with respect to: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any inadequacy of any Units or deficiency or defect therein; or (ii) the delivery, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's acceptance of delivery of the Units shall be conclusive evidence as between the Lessee and the Lessor that all Units are in all the foregoing respects satisfactory to the Lessee, and the Lessee shall not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

7.3 The Lessee acknowledges and agrees that, except to the limited extent otherwise provided herein, there are and will be no agreements, representations, warranties or conditions, expressed or implied, oral or written, legal, equitable, statutory, conventional, collateral or otherwise, on the part of the Lessor respecting or in connection with the Units and that the Lessor has undertaken this transaction strictly in reliance upon the terms, conditions and provisions of this Article VII. Without limiting the generality of the foregoing, the Lessee agrees that any latent defects in or any failure of the Units

MAP

shall be conclusively deemed not to be or to constitute a fundamental or other breach hereof by the Lessor, or a failure of performance or consideration hereunder on the part of the Lessor.

7.4 If applicable, the Lessee waives to the extent permitted all of the rights, benefits and protection given by Sections 19 to 24 inclusive of the Sale of Goods on Condition Act of the Province of British Columbia.

7.5 If applicable, and to the extent permitted by law, the Lessee hereby waives all its rights, benefits or protection given to it by Sections 47, 49 and 50 of The Law of Property Act and the Seizure Act of the Province of Alberta, insofar as they extend to or relate to this Lease or other security collateral thereto. The Lessee hereby acknowledges that seizure or repossession of the Units referred to in this Lease shall not, by implication of law, extinguish the Lessee's indebtedness under this Lease or other collateral security. The Lessee hereby confers upon the Lessor the right to recover from the Lessee by action on covenant for the payment contained in this Lease or in any other security collateral hereto the full Rental payable under this Lease and all other money from time to time due hereunder or under any other collateral security, notwithstanding any seizure or repossession.

7.6 The Lessee covenants and agrees with Lessor that The Limitation of Civil Rights Act of the Province of Saskatchewan shall have no application to:

- (a) this Lease;
- (b) any mortgage, charge or other security for the payment of money made, given or created by this Lease or any agreement or instrument collateral hereto;
- (c) any agreement or instrument renewing or extending or collateral to any mortgage, charge or security referred to or mentioned in sub-paragraph (b) of this Section 7.6; or
- (d) the rights, powers or remedies of Lessor under this Lease or under any mortgage, charge other security, agreement or instrument referred to or mentioned in sub-paragraphs (b) or (c) of this Section 7.6.

MAP

ARTICLE VIII

LESSOR'S REPRESENTATIONS AND WARRANTIES

8.1 The Lessor represents and warrants as follows:

(i) at the time of delivery of each Unit under this Lease, the Lessor's title to such Unit will be unimpaired by any act or omission of the Lessor which will in any manner prevent the performance of this Lease in accordance with its terms and, in addition, such Unit shall be free and clear of all claims, liens and encumbrances, which may result from claims against the Lessor not arising out of the ownership of the Units and which will prevent the performance of this Lease in accordance with its terms;

(ii) so long as an Event of Default shall not have occurred and then be continuing under this Lease, the Lessor shall not do (or suffer to be done by any person claiming through or against the Lessor and not against the Lessee or any sublessee) any act which interferes with any and all rights of the Lessee to peaceably and quietly hold, possess and use the Units in accordance with the terms of this Lease;

(iii) the Lessor is a corporation duly incorporated and validly subsisting under the laws of Canada, with adequate corporate power to enter into this Lease;

(iv) this Lease has been duly authorized, executed and delivered by the Lessor and constitutes a legal, valid and binding obligation of the Lessor enforceable in accordance with its terms;

(v) the entering into and performance of this Lease will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessor is a party or by which it may be bound, or contravene any provision of law, statute, rule or regulation to which the Lessor is subject, or any judgment, decree, franchise, order or permit applicable to the Lessor; and

(vi) there are no actions, suits or proceedings pending or, to the knowledge of the Lessor, threatened against the Lessor affecting this Lease or the transactions contemplated hereby which could, if adversely determined, materially and adversely affect the carrying out of such transactions.

THE REPRESENTATIONS AND WARRANTIES OF THE LESSOR SET FORTH IN THIS SECTION 8.1 ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES OF THE LESSOR, WHETHER STATUTORY,

MXP

WRITTEN, ORAL, OR IMPLIED, AND THE LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE, NOR SHALL IT BE DEEMED BY VIRTUE OF HAVING LEASED THE UNITS PURSUANT TO THIS LEASE TO HAVE MADE ANY REPRESENTATION OR WARRANTY AS TO THE MERCHANTABILITY, DURABILITY, OPERATING FITNESS, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE UNITS.

8.2 The Lessor covenants that any sale, assignment, transfer, mortgage or other disposition which it may make of this Lease or of any Unit, whether prior or subsequent to delivery to the Lessee, shall be expressly subject to the terms and provisions of this Lease.

ARTICLE IX

LESSEE'S REPRESENTATIONS AND WARRANTIES

9.1 The Lessee represents and warrants as follows:

(i) the Lessee is a duly incorporated and validly subsisting corporation under the laws of Canada, with full corporate power and authority to own its properties and to carry on its business as presently conducted and to enter into and perform its obligations under this Lease;

(ii) this Lease has been duly authorized, executed and delivered by the Lessee and constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms;

(iii) no approval is required from any public regulatory body with respect to the entering into or performance of this Lease by the Lessee, or if any such approval is required, it has been properly obtained;

(iv) the entering into and performance of this Lease will not result in any breach of, or constitute a default under any indenture, mortgage, deed of trust, loan or credit agreement or other agreement or instrument to which the Lessee is a party or by which it may be bound, or contravene any provision of law, statute, rule or regulation to which the Lessee is subject, or any judgment, decree, franchise, order or permit applicable to the Lessee; and

(v) there are no actions, suits or proceedings pending or, to the knowledge of the Lessee, threatened against the Lessee or its properties or affecting this Lease or the transactions contemplated hereby which could, if adversely determined, materially and adversely affect the carrying out of such transactions.

MAP

ARTICLE X

MAINTENANCE; ALTERATIONS; INSPECTIONS

10.1 The Lessee shall, at its own cost and expense, maintain and repair each Unit in accordance with the maintenance and repair standards applicable to such Unit as set forth in Schedule E hereto and otherwise keep each Unit which is subject to this Lease in good order and repair, ordinary wear and tear excepted.

10.2 The Lessee may, at its expense and without the prior consent or notice to the Lessor, make any alteration, improvement or addition to any of the Units as it may deem desirable in the proper operation of its business provided that such alteration, improvement or addition shall not materially impair the continuing use of such Units. Any and all additions to any Unit and any and all parts installed on or replacements made to any Unit or any part thereof shall be considered accessions to such Unit (except such as are (i) not required by laws referred to in Section 14.1, (ii) not replacements or substitutions of existing parts or equipment rather than additions thereto, and (iii) readily removable without material damage thereto and without diminishing the value of or impairing the originally intended function or use of, such Unit (hereinafter called "Temporary Alterations")), and ownership of such accessions (except as aforesaid) free of any lien, charge, security interest or encumbrance shall immediately be vested in the Lessor. The Lessor and the Lessee recognize that Temporary Alterations may be made to any of the Units and may be owned by the Lessee and with the prior written consent of the Lessor (such consent not to be unreasonably withheld) may be financed by persons other than the Lessee. Upon termination of this Lease, the Lessee may, and, at the request of the Lessor, shall at the Lessee's sole cost and expense, remove the Temporary Alterations from the Units and shall restore the Units to satisfactory operating condition and to their original physical condition at the time of delivery thereof to the Lessee hereunder, ordinary wear and tear excepted. Ownership of any Temporary Alterations not so removed by the Lessee shall pass to and vest in the Lessor.

10.3 The Lessor shall have the right (but no obligation), upon reasonable notice to the Lessee and at the Lessor's sole cost and expense, by its authorized representatives, to inspect the Units at all reasonable times at such location or locations designated by the Lessee, to view the state and condition of the Units and to confirm to the Lessor the existence and proper maintenance thereof during the continuance of this Lease; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or agents, for any damage, injury to, or the death of any persons

MAP

exercising on behalf of the Lessor or any prospective assignee of the Lessor, the rights of inspection granted hereunder.

ARTICLE XI

FINANCIAL AND OTHER REPORTS

11.1 The Lessee will furnish to the Lessor, on the later of (i) 90 days after the end of each fiscal year, or (ii) within 30 days of the tabling in the House of Commons of Canada of its annual report, a statement of profit and loss and of surplus for each fiscal year, and a balance sheet as at the end of such year, all in reasonable detail together with the report and opinion of a firm of independent chartered accountants.

11.2 On or before April 1st in each calendar year during the Term, the Lessee will cause to be furnished to the Lessor in such number of counterparts or copies as may reasonably be requested an accurate statement signed by a responsible officer of the Lessee, as of the preceding December 31,

(i) showing the amount, description and numbers of the Units then leased hereunder and such other information regarding the condition and state of repair of the Units as the Lessor may reasonably request, and

(ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Article IV have been preserved or replaced.

11.3 The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports to be filed by the Lessor with any federal, provincial, state or other regulatory authority by reason of the interest of the Lessor in the Units or the leasing thereof to the Lessee.

ARTICLE XII

INDEMNIFICATION

12.1 The Lessee agrees to indemnify and save harmless the Lessor against any charge or claim made against the Lessor, and against any expense, loss or liability (including but not limited to solicitors' fees and expenses, patent liabilities, penalties and interest) which the Lessor may incur in any manner by reason of entering into or of the performance of this Lease or by reason of the ownership of any Unit, or which may arise in any manner

MAP

out of or as the result of the ordering, acquisition, use, operation, maintenance, condition, purchase, delivery, transshipment, rejection, storage or return of any Unit under this Lease or the occurrence of any Event of Default hereunder or any event which with the giving of notice, or lapse of time, or both, would become an Event of Default. The Lessee further agrees to indemnify and save harmless the Lessor against any charge, claim, expense, loss or liability on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury or death to any person; provided, however, that the Lessee shall not be required to indemnify the Lessor under this Article XII for negligence on the part of the Lessor, its employees and agents. The indemnities arising under this Article XII shall survive payment of all other obligations under this Lease, the sale, assignment, transfer or other disposition of this Lease or any of the Units by the Lessor, and the termination of this Lease. Anything herein to the contrary notwithstanding, the Lessee shall not be obligated to indemnify under this Article XII in respect of any charge, claim, expense, loss or liability attributable to an event occurring with respect to a Unit after such Unit shall have been assembled, delivered, stored and transported to the Lessor pursuant to the provisions hereof; provided, however, that such charge, claim, expense, loss or liability does not arise as a result of mechanical defects of such Unit which existed at the time such Unit was so returned or at the time this Lease with respect to such Unit terminated. In case any action, suit or proceeding is brought against the Lessor in connection with any claim indemnified against hereunder, the Lessee may, and upon the request of the Lessor shall, at the Lessee's expense, resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and acceptable to the Lessor and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, solicitors' fees and expenses) as incurred by the Lessor in connection with such action, suit or proceeding.

12.2 Upon the payment in full of any indemnities as contained in this Article XII by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice, or both, would constitute an Event of Default) shall have occurred and be continuing, (i) the Lessee shall be subrogated to any right of the Lessor in respect of the matters against which indemnity has been given and (ii) any payments received by the Lessor from any person (except the Lessee) as a result of any matter with respect to which the Lessor has been indemnified by the Lessee pursuant to this Article XII shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

MSP

ARTICLE XIII

INSURANCE

13.1 The Lessee shall, at all times prior to the return of the Units to the Lessor in accordance with the terms of this Lease and during any storage period, at its own expense, cause to be carried and maintained public liability and property damage insurance in respect of the Units against the risks and in the amounts, if any, insured against by the Lessee in respect of similar equipment owned or leased by it. Notwithstanding anything to the contrary in this Section 13.1, the Lessee shall be permitted to provide for self insurance.

ARTICLE XIV

ADDITIONAL COVENANTS OF THE LESSEE

14.1 The Lessee shall comply in all respects with all laws of the jurisdictions in which the Units may be operated and the Lessee shall and does hereby indemnify the Lessor and agrees to hold the Lessor harmless from and against any and all liability that may arise from any infringement or violation of any such laws by the Lessee or any sublessee, or their employees, or any other person. In the event that such laws require alteration of the Units or in case any equipment or appliance on any such Unit shall be required to be changed or replaced, or in any case any additional or other equipment or appliance is required to be installed on such Unit in order to comply with such laws, the Lessee agrees to make such alterations, changes, additions and replacements at its own expense; and the Lessee agrees at its own expense to use, maintain and operate such Unit in full compliance with such laws, so long as it is subject to this Lease; provided, however, that the Lessee may, in good faith, contest with due diligence by appropriate legal proceedings the validity or application of any such law in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the property rights of the Lessor hereunder.

ARTICLE XV

DEFAULT AND ENFORCEMENT

15.1 If during the continuance of this Lease, one or more of the following events (hereinafter sometimes called "Events of Default") shall occur:

(1) default shall be made in the payment of any part of the Rental provided herein or any payment in respect of Casualty

MAP

Occurrences and such default shall continue for a period of five (5) Banking Days after written notice from the Lessor;

(ii) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or sublease of any of the Units;

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

(iv) the Lessee shall file any petition or commence any proceedings under any bankruptcy, reorganization, insolvency or moratorium law for the relief of debtors;

(v) any proceedings shall be commenced against the Lessee by way of a scheme of arrangement under the Railway Act (Canada) or for any relief under bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or judgment or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within thirty (30) days after such appointment, if any, or sixty (60) days after such proceedings shall have been commenced, whichever shall be earlier;

(vi) appointment of any receiver to take possession of all or a substantial portion of the Lessee's properties not set aside within thirty (30) days;

(vii) the Lessee shall default, as such term is defined therein, under any other agreement (of any kind whatsoever, including any other lease agreements) it may have with the Lessor whether such agreement now exists or shall hereafter be created and such default shall result in moneys being declared due and payable to the Lessor which would not otherwise be due and payable at that time and such declaration shall not be rescinded or annulled within a period of thirty (30) days after the Lessee has been given notice of such default by the Lessor;

MHP

then, in any such case, the Lessor, at its option may:

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, enjoy, sell, lease or otherwise dispose of the same in such manner as the Lessor may determine free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee in respect thereof, but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the Rental for any number of days less than a full Period by multiplying the Rental for such full Period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full Period) and also to recover forthwith from the Lessee (i) as liquidated damages for loss of the bargain and not as a penalty, a sum, with respect to all Units, which equals the Stipulated Loss Value of all the Units as of the rental payment date next preceding the date of termination of this Lease, and (ii) any other damages and expenses, including, without limitation, reasonable solicitors' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease. Notwithstanding anything to the contrary contained in this clause (b), it is understood and agreed that upon and/or after payment of the amount to be paid by Lessee to Lessor under subclauses (i) and (ii) of this clause (b) Lessor shall refund to Lessee the net amount received by Lessor, such refunded amount not to exceed the amount paid by Lessee to Lessor under subclause (i) of this clause, on any sale, lease or disposition of the Units after deducting all costs and expenses including any legal fees and income and/or other taxes incurred in connection therewith.

15.2 The remedies in this Lease provided in favour of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favour existing at law or in equity. The Lessee hereby waives, to the fullest extent permitted by applicable law, all rights (other

MAP

than those expressly provided for herein) now or hereafter conferred upon it by statute or otherwise to terminate or surrender this Lease or the Units or to any abatement, suspension, deferment, diminution or reduction of the Rental payments.

15.3 The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies and a waiver on one occasion shall not constitute a waiver of any such right as to any other occasion.

ARTICLE XVI

ASSIGNMENT; POSSESSION AND USE

16.1 Subject to compliance with the provisions of Section 8.2, the Lessor shall have the absolute right to sell, transfer or assign to any person, firm, corporation or other entity resident in Canada any or all of its rights, obligations, benefits and interests under, in and to this Lease or any Unit. However, the Lessee shall be under no obligation to any assignee of this Lease except upon written notice of such assignment. All the rights of the Lessor hereunder shall enure to the benefit of the Lessor's assigns. Whenever the Lessor is referred to in this Lease, it shall apply and refer to each assignee of the Lessor.

16.2 So long as an Event of Default shall not have occurred and then be continuing under this Lease, the Lessee shall be entitled to the quiet enjoyment, possession and use of the Units in accordance with the terms of this Lease, but, except as otherwise expressly provided herein, the Lessee shall not without the prior written consent of the Lessor assign or transfer its leasehold interest under this Lease in the Units or any of them (except to the extent that the provisions of any mortgage now or hereafter created on any property of the Lessee may subject the Lessee's leasehold interest to the lien thereof). In addition, the Lessee, at its own expense, will promptly cause to be duly discharged any lien, charge, security interest or other encumbrance (other than an encumbrance resulting from claims against the Lessor not related to the ownership of the Units or to the extent that the provisions of any mortgage now or hereafter created on any property of the Lessee may subject the Lessee's leasehold interest to the lien thereof) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interests of the Lessor or the Lessee therein. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer

MAP

or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions hereof.

16.3 Nothing in this Article XVI shall be deemed to restrict the right of the Lessee (i) to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any company incorporated under the laws of Canada (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become amalgamated, merged or consolidated and which shall have acquired the property of the Lessee as an entirety or substantially as an entirety; or (ii) without the prior written consent of the Lessor to sublease any Unit to any party for a period (including renewals) not exceeding one year; or (iii) to sublease any Unit to any party for a period (including renewals) of more than one year with the prior written consent of the Lessor, such consent not to be unreasonably withheld, and such consent is hereby given with respect to any sublease by the Lessee to an affiliated or subsidiary corporation incorporated in the United States or Canada. No such sublease shall relieve the Lessee of any liability or obligation hereunder which shall be and remain that of a principal and not a surety.

ARTICLE XVII

PURCHASE OPTIONS

17.1 The Lessee shall be entitled to exercise the purchase options, if any, described in Schedule F hereto, subject to the terms and conditions thereof.

ARTICLE XVIII

RETURN OF UNITS

18.1 As soon as practicable on or after the expiration of the Term, the Lessee shall (unless the Units are sold to the Lessee or shall have suffered a Casualty Occurrence), at its own cost and expense, at the request of the Lessor, assemble and deliver possession of any Units to the Lessor at such location on property of the Lessee in Canada as the Lessor may reasonably designate and permit the Lessor to store the Units for a period not exceeding 90 days. During any such storage period the Lessee shall permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising either on behalf of the Lessor or any

MAH

prospective purchaser, lessee or user, the rights of inspection granted under this Section 18.1. The assembling, delivery, storage and transportation of the Units as hereinabove provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a judgment, order or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this Section 18.1 shall be in the return condition specified in Schedule E hereto.

18.2 If this Lease shall terminate pursuant to Section 15.1, the Lessee shall forthwith deliver possession of the Units to the Lessor, and the provisions of Section 18.1 shall apply in all respects, except that the period of storage to be provided by the Lessee at the Lessee's sole cost, expense and risk shall extend until the date all such Units have been sold, leased or otherwise disposed of by the Lessor. Without in any way limiting the obligation of the Lessee under the foregoing provisions hereof, the Lessee hereby irrevocably appoints the Lessor as its agent and attorney, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Unit.

ARTICLE XIX

INCOME TAX REPRESENTATIONS AND INDEMNITY

19.1 The Lessee hereby makes the income tax representations and warranties set forth in Schedule G hereto and agrees to indemnify the Lessor as provided therein.

ARTICLE XX

MILEAGE ALLOWANCE; SUBROGATION

20.1 Provided that no Event of Default has occurred hereunder and is continuing, the Lessee shall be entitled to (i) all mileage allowances and other similar moneys payable by reason of the use of the Units, and any such mileage allowances or other similar moneys received by the Lessor shall be forthwith remitted to the Lessee, and (ii) the proceeds of any claim or right of the Lessor or the Lessee against third persons for injury, damage or loss with respect to any Unit or the use or operation thereof, and the Lessee shall be subrogated to the extent of the Lessee's interest to all the Lessor's rights of recovery therefor against any other person, firm or corporation. The Lessor hereby

MAH

authorizes the Lessee to make settlement of, receive payment and receipt for any and all such claims on behalf of the Lessor, and the Lessor agrees to execute and deliver from time to time such instruments and do such other acts and things as may be necessary or appropriate more fully to evidence the Lessee's authority and/or to vest in the Lessee such proceeds to the extent of the Lessee's interest therein or to effect such subrogation; and in the event of any loss, damage or destruction in respect of which the Lessee is entitled to proceeds or subrogation as aforesaid, the Lessor shall refrain from doing any act or executing any instrument which would prejudice the right of the Lessee to such proceeds or to such subrogation.

ARTICLE XXI

FURTHER ASSURANCES

21.1 The Lessee covenants and agrees from time to time at its expense to do all acts and execute all such instruments of further assurance as it shall be reasonably requested by the Lessor to do or execute for the purpose of fully carrying out and effectuating this Lease and the intent hereof.

ARTICLE XXII

INTEREST ON ARREARS

22.1 Anything to the contrary herein contained notwithstanding, any Arrears shall bear interest at a rate per annum equal to the rate set out in Schedule B hereto for the period of time during which they are overdue and shall be payable on demand.

ARTICLE XXIII

NOTICES

23.1 Any notice or other communication to a party under the provisions of this Lease shall be in writing and may be delivered personally or sent by prepaid mail, telex or telecopier to the following mailing, telex or telecopier address, as applicable:

(1) to the Lessor,

SLX Canada Inc.
1500 Bow Valley Square IV
250 6th Avenue S.W.
Calgary, Alberta

MST

T2P 3H7
Attention: President
Telecopier: (403) 264-1262

and to:

Bennett Jones Verchere
4500 Bankers Hall East
855-2nd Avenue S.W.
Calgary, Alberta
T2P 4K7
Attention: Mr. Peter A. Williams
Telex: 03824542
Telecopier: (403) 265-7219

(2) to the Lessee,

Canadian National Railway Company
935 de la Gauchetiere St. West
Montreal, Quebec
H3B 2M9
Attention: Treasurer
Telecopier: (514) 399-8038

Any such notice or other communication if personally delivered or mailed or telecopied, shall be deemed to have been given when received and, if telexed and the appropriate answerback received, shall be deemed received at the time that the answerback is received. Any party may from time to time notify the other in writing of a change of mailing, telex or telecopier address in the manner set forth herein which thereafter, until changed by like notice, shall be the address of that party for all purposes of this Lease.

ARTICLE XXIV

SEVERABILITY; EFFECT AND MODIFICATION OF LEASE

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

24.2 This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written with respect to the leasing of the Units. No variation or

MAP

modification of this Lease and no waiver of any of ~~its~~ provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the parties hereto.

ARTICLE XXV

EXECUTION AND COUNTERPARTS

25.1 This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original, and in such case such counterparts together shall constitute but one and the same instrument.

ARTICLE XXVI

GOVERNING LAW AND JURISDICTION

26.1 This Lease shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. With respect to any suit, action or proceedings relating to this Lease, each of the parties hereby irrevocably submits to the non-exclusive jurisdiction of the courts of Ontario.

ARTICLE XXVII

EFFECTIVE DATE

27.1 This Lease and the obligations of the parties hereto shall be effective as and from the date first above written.

MSH

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused these presents to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed, as of the date first above written.

SLX CANADA INC.

By Paul J. D. Miller c/s
Paul J. D. Miller
Director

and by Bruce C. Barker
Bruce C. Barker
Director

Approved
as to form only
A
Secretary

CANADIAN NATIONAL RAILWAY COMPANY

By J. MacDonald c/s
Name: Vice-President
Title: Financial Planning

and by Marie-Andrée Prénoveau
Name: Marie-Andrée Prénoveau
Title: Assistant Secretary

LIST OF SCHEDULES

- A. Description of Units
- B. Lease Particulars
- C. Certificate of Acceptance
- D. Stipulated Loss Values
- E. Maintenance and Repair Standards; Return Condition
- F. Purchase Options
- G. Tax Representations, Warranties and Indemnity
- H. Bill of Sale

MAP

SCHEDULE A

DESCRIPTION OF UNITS

<u>TYPE</u>	<u>SPECIFICATIONS</u>	<u>BUILDER</u>	<u>IDENTIFICATION NUMBERS (INCLUSIVE)</u>	<u>QUANTITY</u>	<u>UNIT PRICE</u>
Bi-level flat cars	Constructed according to CN specification F-150-4 dated October 1991, CN general arrangement drawing 9H-51908 and such other modifications agreed to by the Lessee and the builder.	National Steel Car Limited Racks by Thrall Car Manufacturing Company	CN 710807- CN 710920	114	\$95,651.62
Tri-level flat cars	Constructed according to CN specification F-140-1 and CN general arrangement drawing 9H-37476.	National Steel Car Limited Racks by Thrall Car Manufacturing Company	CN 704550- CN 704675*	126	\$82,508.70

* These Units were renumbered in 1992. Previously, these Units bore the identification numbers set forth in the Annex hereto.

ANNEX TO SCHEDULE "A"

Prior Unit
Identification Number

Current Unit
Identification Number

CN 700604	CN 704550
CN 700554	CN 704551
CN 700530	CN 704552
CN 700503	CN 704553
CN 700541	CN 704554
CN 700512	CN 704555
CN 700627	CN 704556
CN 700545	CN 704557
CN 700648	CN 704558
CN 700637	CN 704559
CN 700528	CN 704560
CN 700511	CN 704561
CN 700588	CN 704562
CN 700583	CN 704563
CN 700614	CN 704564
CN 700509	CN 704565
CN 700613	CN 704566
CN 700515	CN 704567
CN 700610	CN 704568
CN 700631	CN 704569
CN 700560	CN 704570
CN 700510	CN 704571
CN 700580	CN 704572
CN 700582	CN 704573
CN 700591	CN 704574
CN 700644	CN 704575
CN 700543	CN 704576
CN 700529	CN 704577
CN 700634	CN 704578
CN 700521	CN 704579
CN 700518	CN 704580
CN 700625	CN 704581
CN 700561	CN 704582
CN 700523	CN 704583
CN 700553	CN 704584
CN 700544	CN 704585
CN 700577	CN 704586
CN 700635	CN 704587
CN 700647	CN 704588
CN 700573	CN 704589
CN 700646	CN 704590
CN 700626	CN 704591
CN 700639	CN 704592
CN 700567	CN 704593
CN 700531	CN 704594
CN 700504	CN 704595
CN 700571	CN 704596
CN 700562	CN 704597
CN 700513	CN 704598
CN 700564	CN 704599
CN 700537	CN 704600

MSP

Prior Unit
Identification Number

Current Unit
Identification Number

CN 700568	CN 704601
CN 700520	CN 704602
CN 700623	CN 704603
CN 700500	CN 704604
CN 700632	CN 704605
CN 700624	CN 704606
CN 700551	CN 704607
CN 700555	CN 704608
CN 700533	CN 704609
CN 700525	CN 704610
CN 700578	CN 704611
CN 700602	CN 704612
CN 700618	CN 704613
CN 700535	CN 704614
CN 700619	CN 704615
CN 700563	CN 704616
CN 700593	CN 704617
CN 700536	CN 704618
CN 700617	CN 704619
CN 700565	CN 704620
CN 700633	CN 704621
CN 700584	CN 704622
CN 700527	CN 704623
CN 700642	CN 704624
CN 700572	CN 704625
CN 700609	CN 704626
CN 700559	CN 704627
CN 700603	CN 704628
CN 700534	CN 704629
CN 700552	CN 704630
CN 700616	CN 704631
CN 700594	CN 704632
CN 700649	CN 704633
CN 700579	CN 704634
CN 700589	CN 704635
CN 700641	CN 704636
CN 700607	CN 704637
CN 700570	CN 704638
CN 700597	CN 704639
CN 700590	CN 704640
CN 700600	CN 704641
CN 700611	CN 704642
CN 700557	CN 704643
CN 700558	CN 704644
CN 700615	CN 704645
CN 700612	CN 704646

MSP

Prior Unit
Identification Number

Current Unit
Identification Number

CN 700522
CN 700569
CN 700526
CN 700592
CN 700505
CN 700595
CN 700548
CN 700645
CN 700508
CN 700622
CN 700630
CN 700643
CN 700546
CN 700575
CN 700586
CN 700566
CN 700502
CN 700620
CN 700585
CN 700547
CN 700574
CN 700519
CN 700549
CN 700636
CN 700599
CN 700506
CN 700516
CN 700501
CN 700606

CN 704647
CN 704648
CN 704649
CN 704650
CN 704651
CN 704652
CN 704653
CN 704654
CN 704655
CN 704656
CN 704657
CN 704658
CN 704659
CN 704660
CN 704661
CN 704662
CN 704663
CN 704664
CN 704665
CN 704666
CN 704667
CN 704668
CN 704669
CN 704670
CN 704671
CN 704672
CN 704673
CN 704674
CN 704675

MAP

SCHEDULE B

LEASE PARTICULARS

LEASE RATE: 9.33%

RENTAL COMMENCEMENT DATE: October 27, 1992

INTEREST RATE ON ARREARS: 10.33%

LEASE TERMINATION DATE: October 1, 2002 or such earlier date as this Lease is terminated pursuant to the provisions hereof.

INTERIM RENTAL: Not applicable

CASUALTY NOTICE DATE: January 30 in each year during the term of this Lease.

CASUALTY PAYMENT DATE: April 1 in each year during the term of this Lease.

REGISTRATIONS: Subject to the Lessor providing the Lessee with the appropriate information, the Lessee shall cause each Unit to be registered in the Official Railway Equipment Register and in the Universal Machine Language Equipment Register (UMLER), and any change therein must be mutually agreed by the parties. The Lessee shall maintain such records as shall be required from time to time by any applicable regulatory agency or any AAR railroad interchange agreement or rule. The Lessee shall, at its own expense, cause this Lease and any assignment hereof to be filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. Section 11303 and deposited with the Registrar General of Canada (with notice of such deposit to be given forthwith in the Canada Gazette) pursuant to Section 90 of the Railway Act of Canada.

MXP

**SCHEDULE B TO LEASE #40
(continued)**

RENTAL:

<u>Payment Number</u>	<u>Rental Payment Date</u>	<u>Percentage of Unit Price of each Unit</u>	<u>Rental Payment based on aggregate Unit Price as per Schedule A</u>
0	27-Oct-92	6.502%	\$1,384,950.76
1	01-Apr-93	3.063	652,430.67
2	01-Oct-93	3.583	763,192.65
3	01-Apr-94	3.583	763,192.65
4	01-Oct-94	3.583	763,192.65
5	01-Apr-95	3.583	763,192.65
6	01-Oct-95	3.583	763,192.65
7	01-Apr-96	3.583	763,192.65
8	01-Oct-96	3.583	763,192.65
9	01-Apr-97	3.583	763,192.65
10	01-Oct-97	3.583	763,192.65
11	01-Apr-98	3.583	763,192.65
12	01-Oct-98	3.583	763,192.65
13	01-Apr-99	3.583	763,192.65
14	01-Oct-99	3.583	763,192.65
15	01-Apr-2000	3.583	763,192.65
16	01-Oct-2000	3.958	843,069.08
17	01-Apr-2001	21.678	4,617,496.57
18	01-Oct-2001	21.678	4,617,496.57
19	01-Apr-2002	21.678	4,617,496.57
20	01-Oct-2002	21.678	4,617,496.57

Method of Payment:

Lessee shall pay the above amounts to the Lessor on the corresponding rental payment date in same day funds.

MAP

SCHEDULE C

CERTIFICATE OF ACCEPTANCE

To: SLX Canada Inc. (the "Lessor")
1500 Bow Valley Square IV
250 6th Avenue S.W.
Calgary, Alberta
T2P 3H7
Attention: President
Telecopier: (403) 264-1262

The undersigned, a duly authorized officer of Canadian National Railway Company (the "Lessee"), under Lease made as of June 1, 1992, with Lessor, does hereby certify that:

Under authority of Lessee, I have accepted the units of equipment specified in Schedule A hereto attached and made a part hereof (the "Units"), as conforming in all respects to the terms and provisions of the said Lease.

Under authority of Lessee, I further certify that by virtue of my said acceptance of said Units the same have, on the date stated, come under lease to Lessee pursuant to the terms and provisions of said Lease.

Authorized Inspector

MXP

SCHEDULE D

STIPULATED LOSS VALUE

<u>Date</u>	<u>¢</u>
01-Apr-93	108.64¢
01-Apr-94	110.99
01-Apr-95	112.82
01-Apr-96	114.19
01-Apr-97	115.14
01-Apr-98	115.72
01-Apr-99	115.95
01-Apr-2000	115.89
01-Apr-2001	97.03
01-Apr-2002	59.47
01-Oct-2002	40.00

The Stipulated Loss Value shall be calculated as the applicable percentage of the "Unit Price" referred to in Schedule A.

RAY

SCHEDULE E

**MAINTENANCE AND REPAIR STANDARDS;
RETURN CONDITION**

Maintenance and Repair Standards

Each railcar Unit shall be maintained and repaired to a standard at least equal to that of the remainder of the fleet of railcars of similar age and type maintained by the Lessee, and, at a minimum, in accordance with the A.A.R. Interchange Rules and rules of the National Transportation Agency and other Canadian governmental authorities having jurisdiction with respect thereto.

Return Condition

Each railcar Unit returned to the Lessor shall be in a condition at least equal to that of the remainder of the fleet of railcars of similar age and type maintained by the Lessee, and in at least as good operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, and, at a minimum, in accordance with the A.A.R. Interchange Rules and the rules of the National Transportation Agency and other Canadian governmental authorities having jurisdiction with respect thereto.

MSA

SCHEDULE F

PURCHASE OPTIONS

Purchase Options

B.1 Provided that this Lease has not been earlier terminated and no Event of Default has occurred and is then continuing, the Lessee may, by not less than 180 days prior written notice, irrevocably elect to purchase all but not less than all of the Units then covered by this Lease on October 1, 2002, for the applicable Option Price.

B.2 In the event the Lessee elects to purchase all of the Units, upon payment of the applicable Option Price, the Lessor shall upon request of the Lessee deliver to or upon the order of the Lessee a bill of sale (without recourse, representations or warranties) substantially in the form of Schedule H hereto for such Units executed by the Lessor and such other documents as may reasonably be required in order to transfer to the Lessee title to such Units free and clear of all liens, security interests and other encumbrances created by or arising through the Lessor.

B.3 For the purpose of this Schedule F the following terms have the following meanings:

"Fair Market Value" means with respect to any Unit an amount determined on the basis of, and equal in amount to, the value which would have been obtained in an arm's length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and in such determination, cost of removal from the location of current use shall not be deducted from such value; provided, however, there shall be excluded any value attributable to Temporary Alterations made by the Lessee pursuant to the provisions hereof.

"Option Price" means with respect to October 1, 2002, an amount equal to 40.0% of the Unit Price for each Unit set forth in Schedule A hereto which is then subject to this Lease, which amount has been determined by the parties at the inception of this Lease to be the expected Fair Market Value of each Unit on such date.

MAP

SCHEDULE G

TAX REPRESENTATIONS, WARRANTIES AND INDEMNITY

1. The Lessee hereby represents and warrants to the Lessor:
- (a) that the Units are depreciable property and that:
 - (i) a corporation described in subsection 1100(16)(a) of the regulations (the "Regulations") enacted under the Income Tax Act (Canada) (the "Act") that owns the Units shall be entitled to deduct from its income for the purposes of the Act capital cost allowance in each year during the Term on the basis that the Units qualify as Class 35 assets (or any analogous subsequent designation) pursuant to the Act;
 - (ii) a corporation that carries on business and that owns the Units but is not of the type described in paragraph 1100(16)(a) of the Regulations shall be entitled to a capital cost allowance with respect to the Units computed at the rate applicable for Class 35 assets (or any analogous subsequent designation) against its net income from renting "leasing properties" as provided in subsection 1100(15) of the Regulations computed before deducting capital cost allowances; and
 - (b) that the Units are not specified leasing property within the meaning of subsection 1100(1.11) of the Regulations;
 - (c) that the Lessee will not, by an act or omission, effect any change in the nature or use and purpose of the Units which would or could directly or indirectly cause the deductions referred to in (a) above to decrease or be eliminated;
 - (d) that the Unit Price (as set out in Schedule A) paid by the Lessor for the Units represents the fair market value of the Units as of the date hereof; and
 - (e) that 40.0% of the Unit Price set forth in Schedule A hereto being the price at which the Lessee is entitled to purchase a Unit on October 1, 2002 pursuant to the Purchase Option contained in Schedule F, represents a reasonable estimate as of the date hereof of the fair market value of a Unit at such Purchase Option date.

MAP

2. If, due to the inaccuracy of any representation herein made by the Lessee to the Lessor, the Lessor shall lose or shall not have the right to claim or shall suffer a disallowance of all or any portion of capital cost allowance with respect to any Unit (referred to as "Tax Benefits"), to the extent claimed by the Lessor in its federal and provincial income tax returns for the relevant year, the following provisions shall be applicable:

- (A) upon the Lessor being notified of any such denial (including by way of assessment or reassessment, or proposed assessment or reassessment) the Lessor shall notify the Lessee and if so requested by the Lessee in a timely manner, shall contest any such action (such contestation to be at the sole expense of the Lessee), as long as the rights and interests of the Lessor shall not be adversely affected thereby; and
- (B) the Rental shall be adjusted as follows:
 - (I) the Lessor shall determine and give notice to the Lessee of the amount of each instalment of Rental which the Lessor would have required in order to obtain the after-tax net yield on funds employed to acquire the Units, as if the denial specified above had not occurred, and the Lessee shall pay to the Lessor by way of additional Rental on the tenth day following such notice, in respect of the elapsed Term of the Lease up to and including such tenth day, a sum equal to the amount by which the total Rental instalment determined under this paragraph exceeds the total Rental instalment otherwise payable hereunder, plus any provincial sales tax applicable to such additional rent payment; and
 - (II) the Lessor shall determine (and specify in the notice referred to in paragraph (I) above) the amount of each instalment of Rental payable hereunder for the remainder of the Term after such tenth day which the Lessor will require to obtain the after-tax net yield of funds employed by the Lessor to acquire the Units as if the denial specified above had not occurred and the Rental shall be increased accordingly and this Lease shall be deemed to be so amended.

MAP

Provided always that the payment contemplated by Section 2 (B)(I) and the adjustment in Rental contemplated by Section 2 (B)(II) will not be required to be made until the relevant taxing authority or a court of competent jurisdiction has made a determination with respect to such denial in respect of which the Lessee does not exercise its rights under Section 2(A) or from which there is no further right to object or appeal.

Provided further, however, that the payment contemplated by Section 2 (B)(I) and the adjustment in Rental contemplated by Section 2 (B)(II) will not be required to be made if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or if there shall have been disallowed with respect to the Lessor, all or any portion of such Tax Benefits with respect to such Unit as a direct result of the occurrence of any of the following events:

- (i) any act or omission on the part of the Lessor;
- (ii) any change in income tax legislation or regulations after the coming into force of this Lease other than proposed changes pending before Parliament or announced by the Minister of Finance on or before the coming into force of this Lease; or
- (iii) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under Article VI hereof.

3. In addition but without duplication, the Lessee shall on demand indemnify and save harmless the Lessor from and in respect of all costs, expenses, increased payments of tax, interest, penalties, and costs of contestation of any assessment or reassessment made against the Lessor with respect to this Lease (including reasonable legal fees and disbursements) which the Lessor may suffer or incur as a result of or arising out of a denial specified above so that the net after-tax yield to the Lessor of funds employed to acquire the Units shall exist throughout the Term and any extension or renewal thereof as if the denial specified above had not occurred; provided always that the obligations of the Lessee hereunder shall only exist if the Lessor has fulfilled its obligations under Section 2(A) hereof.

4. Each determination of increased Rental or other payment due to the Lessor under this Schedule shall be submitted to the Lessee by way of a certificate of an officer of the Lessor setting forth the amount of the increased Rental required (and the method of its calculation) and the basis for it, which certificate shall be conclusive evidence, in the absence of manifest error, of the amount of the increased Rental so required; provided, however, that the Lessee shall be entitled to

MAP

receive confirmation of the amounts set forth in the certificate from the auditors of the Lessor as such confirmation may be available following the next annual audit of the Lessor's financial statements.

5. In the event that, as a result of events (other than the receipt by the Lessor of any increased Rental), it develops that the Lessor was not entitled to require such recalculation or payment of such increased Rental or was entitled to a lesser recalculation or to receive a lesser amount of increased Rental, the Lessor shall promptly refund to the Lessee on demand any excess amount received by the Lessor plus interest thereon calculated at the Prime Rate from the date such excess amount was received to the date of repayment.

6. For purposes of interpretation hereof "Lessor" shall include Lessor's successors and assigns.

7. The provisions of this Schedule shall survive the termination of the Lease and are included for the benefit of and shall be enforceable by the Lessor.

MAP

SCHEDULE H

BILL OF SALE

SLX CANADA INC. (hereinafter called the "SELLER"), in consideration of the sum of \$ _____ dollars (\$) paid by _____, a _____ corporation (hereinafter called the "BUYER"), at or before the execution and delivery of these presents, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell, transfer and set over unto the BUYER, its successors and assigns all of its right, title and interest in the following property:

(insert description of equipment)

TO HAVE AND TO HOLD the above described property unto the BUYER, its successors and assigns, for its and their own use and behoof, forever.

The SELLER hereby warrants unto the BUYER that the SELLER has legal title to the aforesaid property free and clear of all liens, security interests and other encumbrances created by or arising through the SELLER.

THE AFORESAID PROPERTY IS BEING SOLD HEREUNDER ON AN "AS-IS", "WHERE IS" BASIS AND "WITH ALL FAULTS". THE SELLER MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND EXPRESSLY DISCLAIMS LIABILITY FOR LOST PROFIT OR INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR COMMERCIAL LOSSES AND ALL OTHER OBLIGATIONS OR LIABILITIES.

IN WITNESS WHEREOF, the SELLER has caused this instrument to be executed in its name by its officers thereunto duly authorized and its corporate seal to be hereunto affixed the day of _____

(CORPORATE SEAL)

ATTEST:

MSP

PROVINCE OF ONTARIO

CITY OF TORONTO

) In the matter of an amended
) and re-executed lease of
) equipment #40 between SLX
) Canada Inc. and Canadian
) National Railway Company
) made as of October 27, 1992

On this 27th day of October, 1992, before me personally appeared Bruce C. Barker to me personally known, who, being by as duly sworn, says that he is the Chairman of SLX Canada Inc., that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, that he signed the said instrument on October 27, 1992 on behalf of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public in and for the
Province of Ontario

(Notarial Seal)

v:\rjp\slx\lease40.slx

PROVINCE OF QUEBEC

DISTRICT OF MONTREAL

) In the matter of an amended
) and re-executed lease of
) equipment #40 between SLX
) Canada Inc. and Canadian
) National Railway Company
) made as of October 27, 1992

On this 22nd day of October, 1992, before me personally appeared Marie-Andrée Prénoveau, to me personally known, who, being by me duly sworn, says that he/she is the Assistant Secretary of Canadian National Railway Company, that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, that he/she signed the said instrument on October 22nd 1992 on behalf of said corporation, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Commissioner for Oaths

BRENDA STACEY
Commissioner for Oaths
Commissaire à l'Assermentation
District - Montreal
Expires May 8, 1995
No. 109 400

SCHEDULE C

LENDER'S CASUALTY SETTLEMENT

<u>DATE ON WHICH CASUALTY PAYMENT IS REQUIRED</u>	<u>PERCENTAGE OF CASUALTY PAYMENT PAYABLE TO LENDER</u>
April 1, 1993	71.11%
April 1, 1994	69.60%
April 1, 1995	68.47%
April 1, 1996	67.65%
April 1, 1997	67.09%
April 1, 1998	66.75%
April 1, 1999	66.62%
April 1, 2000	66.66%
April 1, 2001	62.55%
April 1, 2002	35.84%
October 1, 2002	0.00%

SCHEDULE D

PROMISSORY NOTE

\$15,975,000

October 27, 1992

For value received, Royal Bank Leasing Inc. (the "Borrower") promises to pay to or to the order of London Life Insurance Company (the "Lender") at the Lender's office at 255 Dufferin Avenue, London, Ontario N6A 4K1 or as it may direct, the principal amount of Fifteen Million, Nine Hundred and Seventy-Five Thousand Dollars (\$15,975,000), with interest thereon at the rate of 9.46% per annum calculated and payable semi-annually in arrears, which shall be paid as to accrued and unpaid interest on April 1 and October 1 in each year commencing April 1, 1993, with principal to be repaid in accordance with the Appendix annexed hereto, and with the balance of principal and accrued interest becoming due on October 1, 2002. Such payments shall be subject to adjustment in accordance with the Security Agreement (as hereinafter defined) in the event of any partial prepayment hereof, and all payments shall be applied first on account of accrued and unpaid interest and the balance on account of unpaid principal then due, if any.

The undersigned's obligations under this Note are secured by a Loan and Security Agreement made as of October 27, 1992, as from time to time amended, (the "Security Agreement") between the Borrower and the Lender, to which Security Agreement reference is made as to the nature and extent of the security (the "Collateral") for this Note, the rights of the Lender, the Borrower and any holder of this Note with respect to the Collateral and the acceleration of the maturity of this Note.

Any prepayment of this Note, in whole or in part, in accordance with the terms of the Security Agreement, shall be applied to the then unpaid balance of principal plus interest thereon accrued to the date of such prepayment in accordance with the applicable terms of the Security Agreement.

In the event that any payment of principal or interest, or any other amount owing hereunder from the Borrower to the Lender or any holder of this Note, is not paid when due, such principal amount and interest shall bear interest, payable on demand, which interest shall accrue from the date when payment was due to the date of payment thereof at the rate of 10.33% per annum, as well before as after demand and judgment.

The Lender, and any subsequent holder of this Note, by acceptance of this Note agrees that, except as otherwise provided in the Security Agreement, the Borrower has and shall have no personal liability or obligation with respect to payment of this Note and that, except as otherwise provided in the Security Agreement this Note is payable solely from the proceeds received by the Lender (or

the Lender's successors or assigns) from the Lender's rights and interests (including the Lender's security interest) in and to the Collateral.

Subject to the Security Agreement, the Borrower hereby, for itself, its successors and assigns, hereby expressly waives presentment for payment, protest and demand, notice of protest, demand and dishonour and non-payment of this Note and diligence in collection and, to the extent permitted by law, waives and releases all rights of redemption, valuation, stay of execution, notice of election to mature or to declare due the whole of the indebtedness evidenced hereby, and does hereby agree to pay in accordance with the Security Agreement all expenses paid or incurred by the Lender, or any subsequent holder of this Note, in endeavouring to collect any amounts payable hereunder which are not paid when due, whether by acceleration or otherwise.

This Note and the rights of any holder hereof shall be governed by the laws of the Province of Ontario.

In witness whereof, the Borrower has caused this Note to be executed by its officer duly authorized on its behalf.

ROYAL BANK LEASING INC.

by: _____

Title

APPENDIX

Payment Date

Amount of Principal to be Repaid

April 1, 2001

\$3,424,000

October 1, 2001

\$3,977,000

April 1, 2002

\$4,166,000

October 1, 2002

\$4,408,000

SCHEDULE E

LIST OF OPERATIVE DOCUMENTS

1. Equipment Purchase Agreement between SLX and the Borrower made as of October 27, 1992, including all schedules thereto
2. Lease Assignment Agreement between SLX and the Borrower made as of October 27, 1992, including all schedules thereto
3. Bill of Sale dated as of October 27, 1992 between SLX and the Borrower with respect to the Initial Units
4. Series 92-1 Class B Debenture issued by SLX in the principal amount of \$8,520,152.35

SCHEDULE F

DRAFT - OCTOBER 26, 1992

(514) 847-4747

Montreal, October 27, 1992

LONDON LIFE INSURANCE COMPANY
255 Dufferin Avenue
London, Ontario
N6A 4K1

FASKEN CAMPBELL GODFREY
Toronto Dominion Bank Tower
P.O. Box 20
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N6

SLX CANADA INC.
1500 Bow Valley Square IV
250 - 6th Avenue S.W.
Calgary, Alberta
T2P 3H7

McMILLAN BINCH
Suite 3800
South Tower
Royal Bank Plaza
Toronto, Ontario
M5J 2J7

Dear Sirs:

**Re: Loan and Security Agreement -
London Life Insurance Company
and Royal Bank Leasing Inc.**

We have acted as counsel to Royal Bank Leasing Inc. (the "Assignee") in connection with the purchase by it from SLX Canada Inc. (the "Assignor") of certain equipment being leased by the Assignor to Canadian National Railway Company (the "Lessee") pursuant to a lease made as of June 1, 1992

- 2 -

as amended and re-executed on October 27, 1992 (the "Lease"), and in connection with the assignment of the Lease to the Assignee. In addition, we have acted as counsel to the Assignee in connection with a loan made to the Assignee by London Life Insurance Company (the "Lender") pursuant to a Loan and Security Agreement (the "Loan and Security Agreement") made as of October 27, 1992.

For the purposes of the opinions expressed herein, we have examined an original executed copy of the following documents:

1. Equipment Purchase Agreement (the "Equipment Purchase Agreement") dated as of October 27, 1992 between the Assignee and the Assignor;
2. a Lease Assignment Agreement (the "Lease Assignment Agreement") dated as of October 27, 1992 between the Assignee and the Assignor;
3. the Loan and Security Agreement; ✓
4. an Assignment Agreement dated as of October 27, 1992 between the Assignee and the Lender (the "Quebec Assignment");
5. a Notice of Assignment and Direction from the Assignee and the Lender to the Lessee dated as of the 27th of October, 1992 (the "Notice"); and
6. an Acceptance, Acknowledgement and Undertaking in respect of the Notice, by the Lessee in favour of the Assignee and the Lender (the "Acceptance").

We have also examined such corporate records, certificates of public officials and officers of the Assignee and other documents, and have made such other searches and investigations, as we have considered necessary or appropriate.

We have assumed the due authorization, execution and delivery of the Equipment Purchase Agreement, the Lease Assignment Agreement, the Loan and Security Agreement, the Quebec Assignment and the Notice (collectively, the "Documents") and the Acceptance by all parties thereto other than the Assignee and the enforceability of the Documents

- 3 -

and the Acceptance against such parties. We have also assumed the genuineness of all signatures on and the authenticity and completeness of all documents submitted to us as original documents, the conformity to the original documents of all documents submitted to us as true, certified conformed or photostatic copies thereof and the genuineness of all signatures on and the authenticity and completeness of the originals of such copies.

In respect of the due amalgamation of the Assignee with Canadian Acceptance Corporation Limited under the *Canada Business Corporations Act* on October 31, 1982, we have assumed that Canadian Acceptance Corporation was validly existing as a corporation prior to such amalgamation and that all appropriate corporate and other action required of Canadian Acceptance Corporation Limited, its shareholders and its directors to authorize and effect such amalgamation had been properly taken or made.

Based upon the foregoing and subject to the qualification hereinafter expressed, we are of the opinion that:

1. The Assignee is a corporation duly amalgamated and existing under the *Canada Business Corporations Act* and has not been discontinued or dissolved under that Act.
2. The Assignee has the corporate capacity and power to own its assets, to carry on its business as currently conducted and to enter into and perform its obligations under the Documents.
3. Each of the Documents has been duly authorized, executed and delivered by the Assignee and constitutes a valid and binding obligation of the Assignee enforceable against it in accordance with its terms, subject to registration or filing of the Documents, wherever necessary to render them enforceable as against third parties.

The opinion set out in paragraph 3 hereof is subject to the qualification that the enforceability of the terms of the Documents may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles.

- 4 -

This opinion is limited to the laws of the Provinces of Ontario and Quebec and the laws of Canada applicable therein and may only be relied upon by the parties to which it is addressed.

Yours truly,

SCHEDULE G

(514) 399-4134

HQ 4915-2-40

October 22, 1992.

London Life Insurance Company
255 Dufferin Avenue
London, Ontario
N6A 4K1

Fasken, Campbell Godfrey
P.O. Box 36
3600 Toronto-Dominion Centre
Toronto, Ontario
M5K 1C5

Dear Sirs:

RE: SLX Canada Inc. - Lease of Equipment to Canadian
National Railway Company - Lease of Equipment #40.

I am Attorney with Canadian National Railway Company ("CN") and as such have acted on behalf of CN in connection with the preparation, execution and delivery of the following:

- (1) Lease of Equipment #40, dated as of June 1, 1992, as amended and re-executed as of October 27, 1992, between SLX, as lessor, and CN, as lessee;

the foregoing agreement(s) being herein after collectively called the "Agreements".

I have examined executed copies of the Agreements and such corporate records of CN and other statutes and documents as I have deemed relevant and necessary for this opinion.

Based and relying upon the foregoing, it is my opinion that:

- (1) CN is a duly incorporated and validly subsisting corporation under the laws of Canada, with full corporate power and authority to own its properties and to carry on its business as presently conducted and to enter into and perform its obligations under the Agreements;

October 22, 1992
Page 2

- (2) the Agreements have been duly authorized, executed and delivered by CN and constitute legal, valid and binding obligations of CN enforceable in accordance with their terms;
- (3) no authorization or approval from any governmental or public regulatory body or authority in Canada is required under the laws of Canada or any province thereof with respect to the entering into or performance of the Agreements.

Any reference in this opinion to the effect that any agreement is a legal, valid and binding instrument enforceable in accordance with its terms is hereby qualified to the extent enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to the enforcement of creditor's rights generally, and by the fact that specific performance or injunctive relief are remedies which may only be granted at the discretion of a court of competent jurisdiction and by the application of general principles of equity.

Yours truly,

D. Bekhor
Attorney

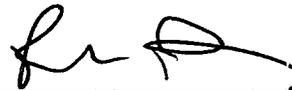
DB\418\stx

PROVINCE OF ONTARIO

CITY OF TORONTO

) In the matter of a loan and
) security agreement between
) Royal Bank Leasing Inc. and
) London Life Insurance
) Company made as of the 27th
) day of October, 1992

On this 27th day of October, 1992, before me personally appeared Jake Thun, to me personally known, who, being by me duly sworn, says that he is the President of Royal Bank Leasing Inc., that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on October 27 1992 and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public in and for the
Province of Ontario

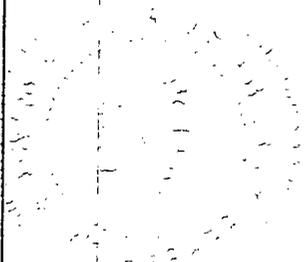
(Notarial Seal)

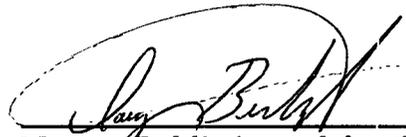
PROVINCE OF ONTARIO

CITY OF TORONTO

) In the matter of a loan and
) security agreement between
) Royal Bank Leasing Inc. and
) London Life Insurance
) Company made as of the 27th
) day of October, 1992

On this rd 23 day of October, 1992, before me personally appeared Alexander S. Murphy, to me personally known, who, being by me duly sworn, says that he is the Vice-President, Corporate Lending, of London Life Insurance Company, that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on October 23 1992 and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.





Notary Public in and for the
Province of Ontario

(Notarial Seal)

Douglas Anthony Berberich; a Notary Public
in and for the Province of Ontario, Canada.
My commission is not limited in duration.